



Summary

Real Economy: Economic data for March was strong. Monthly indicators remained at levels consistent with robust economic growth. Despite a monthly recovery in cement sales in March, they remain shy of their level a year earlier.

Bank lending: Bank lending to the private sector posted its strongest gain in over eleven months in March. Firms in the manufacturing and construction sectors have been the main recipients of new lending so far this year.

Bank liquidity indicators: Bank deposits rose for the fifth consecutive month in March. Loan-to-deposit ratio fell further in March as monthly deposits grew at a faster rate than that of lending. Bank excess deposits at SAMA remained very high.

Bank profits: Bank provisions for bad debts fell in the first quarter, in line with standard practice. Higher lending and deposits and lower provisions have supported monthly bank profits, which were at record high in January and March.

Inflation: Annual inflation continued to fall for the fourth consecutive month in March. Falling food inflation was the main reason for this decline while rental inflation slightly picked up to become the largest single contributor to headline inflation.

Balance of payments: Full balance of payments data for 2013 show that the current account surplus was \$134.3 billion, down from an all-time high of \$164.8 billion in 2012. Both lower oil revenues and higher imports of goods were the cause of the decline.

Oil: Downward sentiment from expected improvements in Libyan supply were overridden by the Ukrainian crisis, pushing Brent prices up 2.4 percent whilst WTI dropped 1.5 percent in April.

Exchange rates: The euro maintained its strength against the dollar in April as the ECB hinted interest rates would not be lowered. Strong economic results pushed the UK pound up against the dollar, whilst capital inflows into Turkey strengthened the lira slightly.

Stock market: The TASI continued to rise in April for the eighth consecutive month, although the pace of increase was at a slower rate than in the previous month. The average daily turnover was SR10.6 billion, the highest for two years.

Sectoral performance: Twelve of the 15 sectors were up in April. Smaller sectors outperformed larger ones with media & publishing stocks the highest gainers.

First quarter results: Net income of listed companies totaled SR25.3 billion in the first quarter. The petrochemical sector still accounts for the largest share of earnings, with banks second, whilst the smaller sectors, such as media, recorded the highest annual growth.

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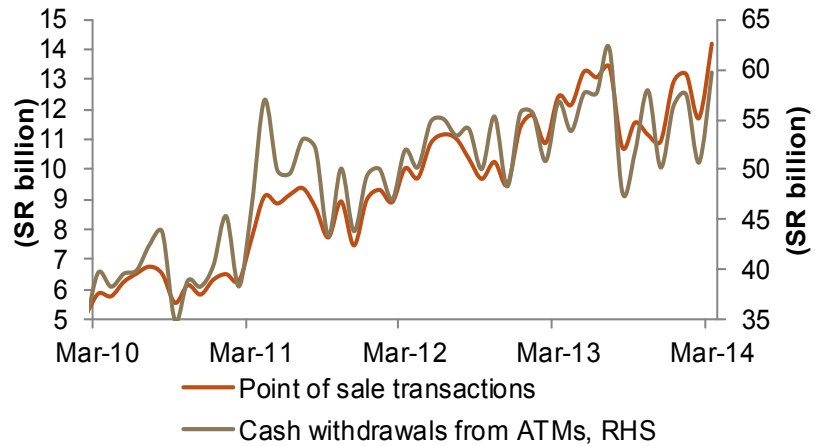


Real Economy

Economic data for March was strong. Monthly indicators remained at levels consistent with robust economic growth, with the value of point of sale transactions hitting a new high and PMI index still points to an expanding economy. Despite a monthly recovery in cement sales in March, they remain shy of their level a year earlier.

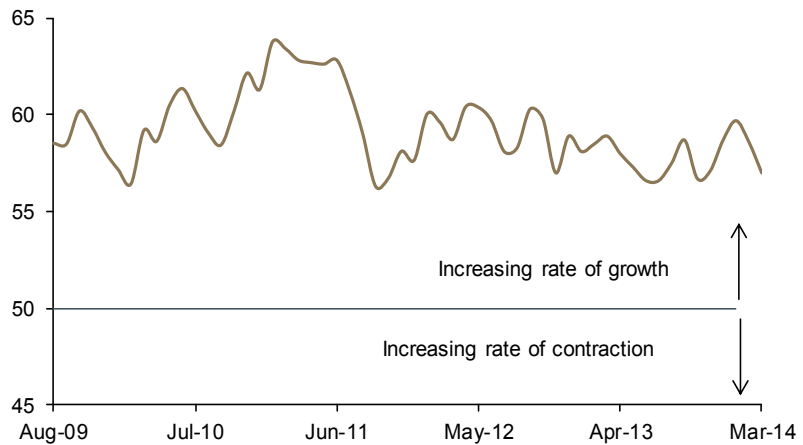
The value of point of sale transactions was at an all-time high in March and 14.2 percent greater than March 2013.

Indicators of consumer spending



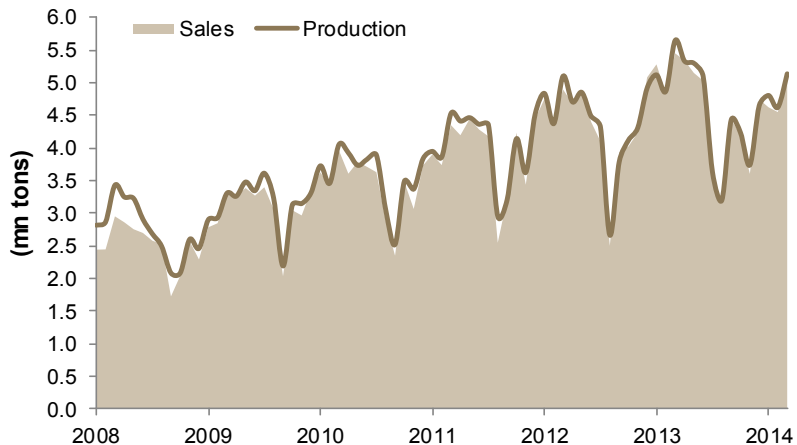
Although the PMI dipped in March, it remains at a level consistent with strong economic growth.

HSBC/Markit Purchasing Managers' Index (PMI)



Cement sales were 13.6 percent higher than the February level, but remained 5.2 percent lower than a year earlier.

Cement Production and Sales



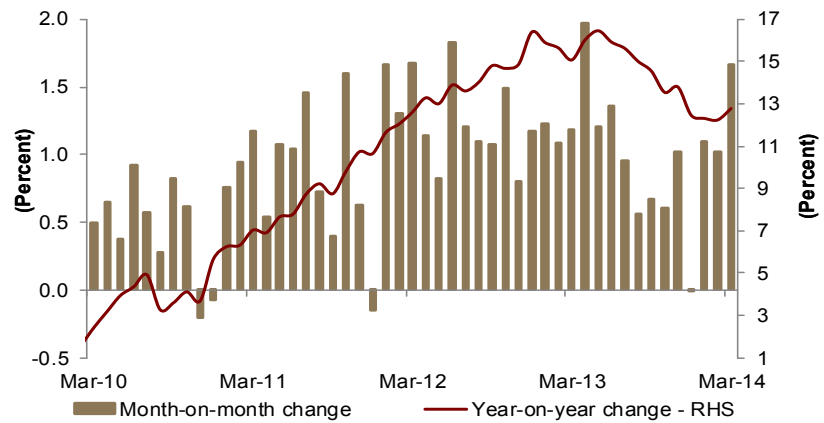


Bank lending

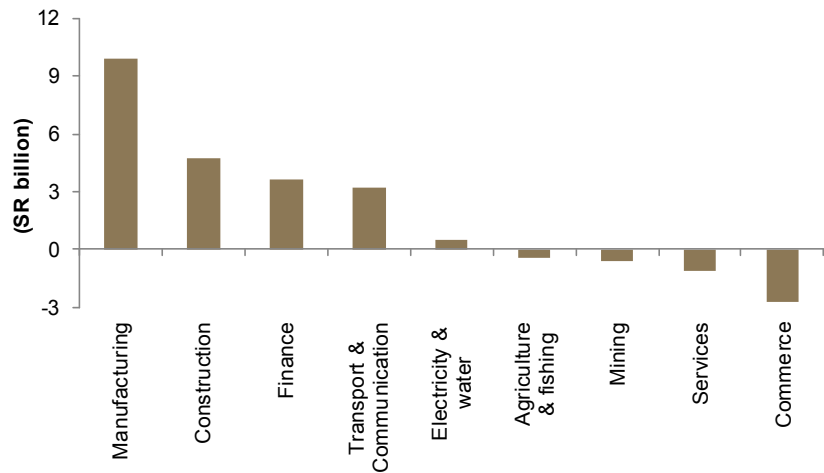
Bank lending to the private sector posted its strongest gain in over eleven months in March. Firms in the manufacturing and construction sectors have been the main recipients of new lending so far this year. There was a notable increase in bank claims on the public sector in March.

Bank lending to the private sector jumped by 1.7 percent in March, lifting the year-on-year growth rate to 12.8 percent.

Bank lending to the private sector

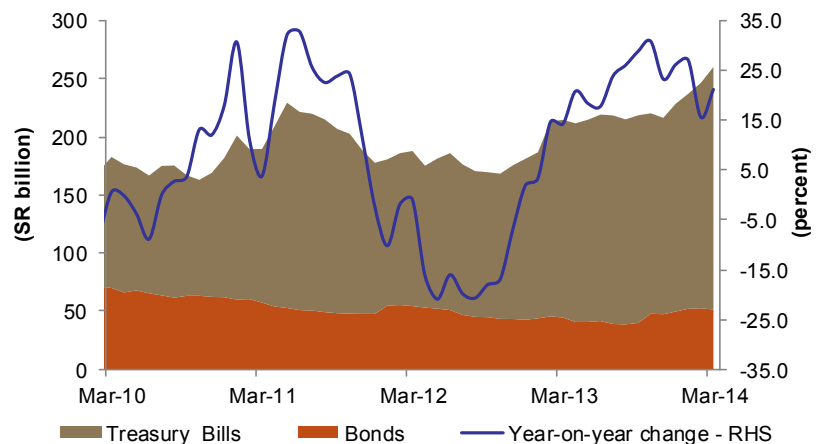


Sectoral breakdown of new bank lending to the private sector
(First quarter of 2014)



The manufacturing and construction sectors were the largest recipient of new funds in the first quarter. Credit to the commerce sector was down for the first time since the fourth quarter of 2011.

Bank claims on the public sector



A notable increase in bank holdings on treasury bills could indicate that the government may be concerned about the impact of the excess liquidity on local stock market.

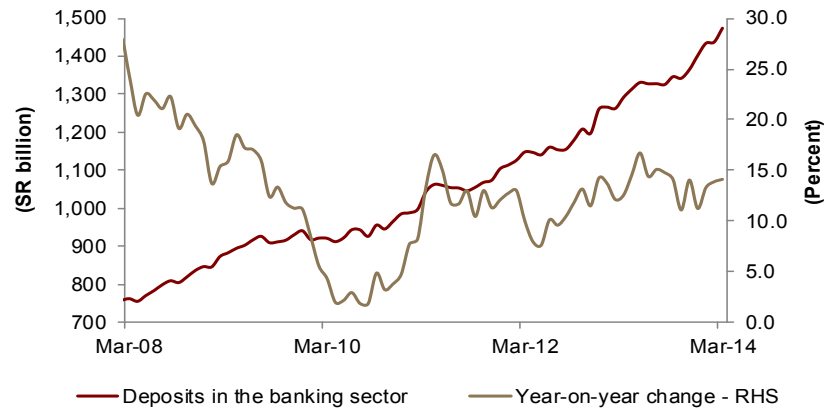


Bank liquidity indicators

Bank deposits rose for the fifth consecutive month in March, with demand deposits accounting for the entire rise. Loan-to-deposit ratio fell further in March as monthly deposits grew at a faster rate than that of lending. Bank excess deposits at SAMA remained very high, giving scope for further lending growth.

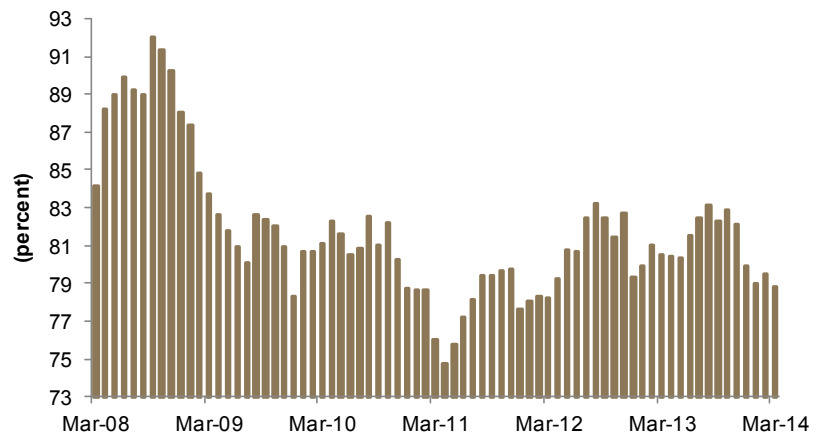
Bank deposits climbed by 2.5 percent in March, the fifth consecutive monthly rise, lifting the year-on-year growth rate to 14 percent.

Bank deposits



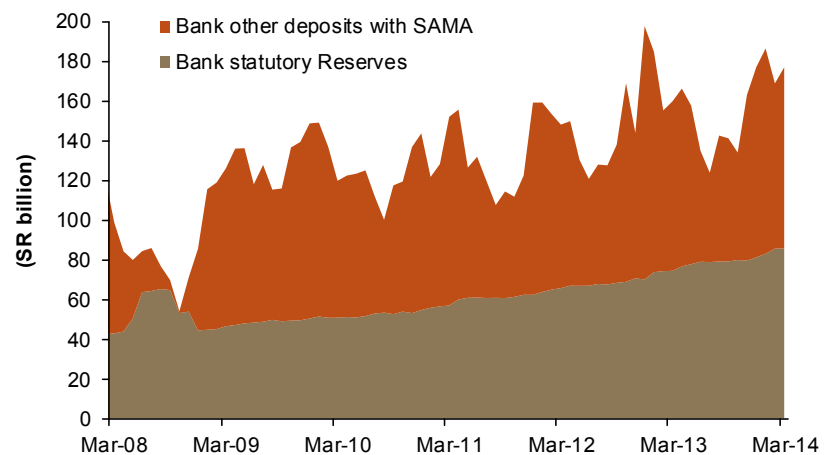
With deposits rising at a faster rate than that of lending, the private sector loan-to-deposit ratio fell to 78.8 percent in March, its lowest value since March 2012.

Loan-to-deposit ratio



Banks remained very liquid; deposits at SAMA in excess of the regulatory requirement remained above SR91 billion.

Bank deposits at SAMA



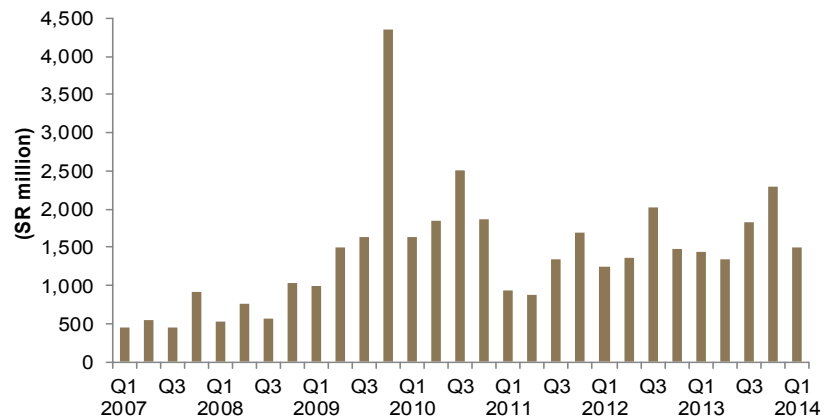


Bank profits

Bank provisions for bad debts fell in the first quarter, in line with standard practice. Higher lending and deposits and lower provisions have supported monthly bank profits, which were at record high in January and March. At the end of the first quarter, bank profits were 10.6 percent higher than in the same period last year.

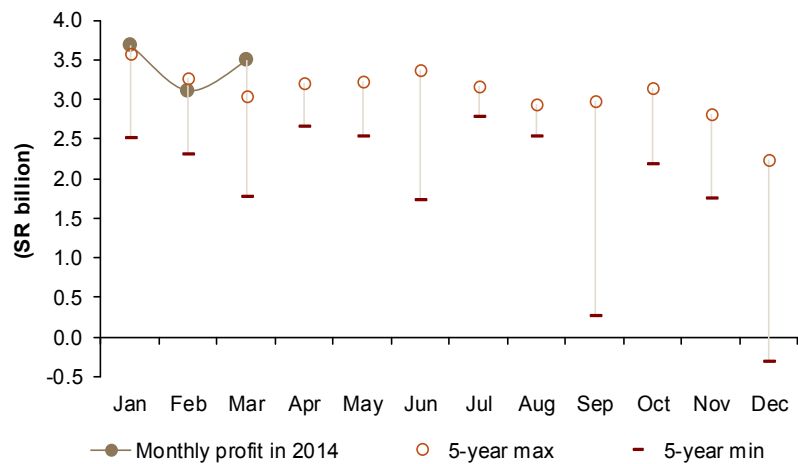
Bank provisions for bad debts fell in the first quarter, but were 5 percent higher than in the same period last year.

Bank provisions for bad debts



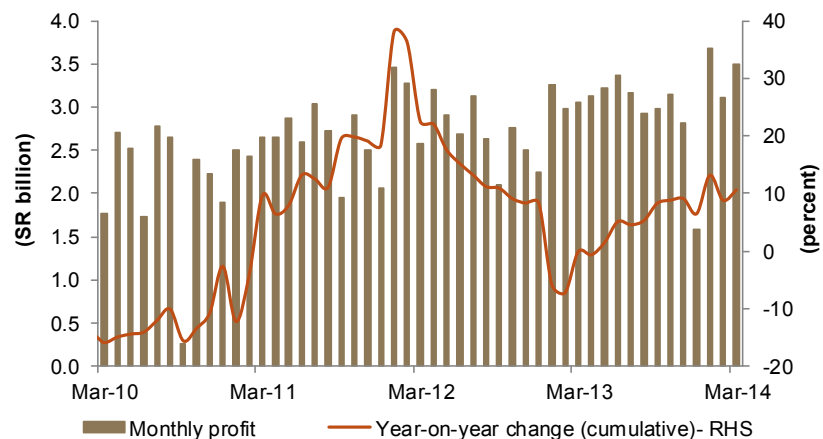
Monthly bank profits were at record high in both January and March.

Monthly bank Profits



As a result, profits expanded by 10.6 percent year-on-year at the end of the first quarter.

Bank profits

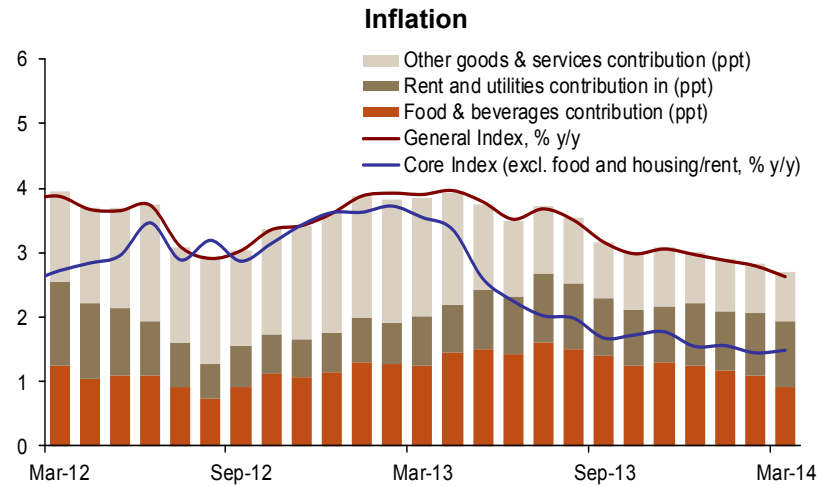




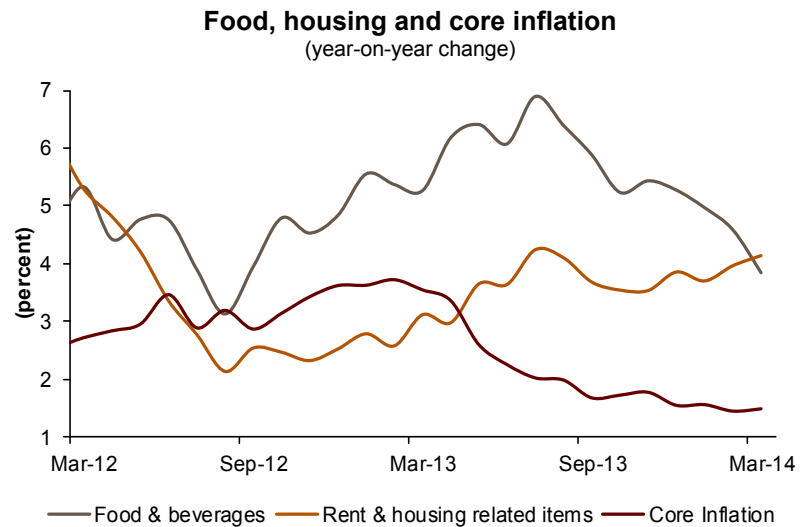
Inflation

Annual inflation continued to fall for the fourth consecutive month in March. Falling food inflation was the main reason for this decline while rental inflation slightly picked up to become the largest single contributor to headline inflation. Core inflation slightly increased on the back of higher prices of “other goods and services”.

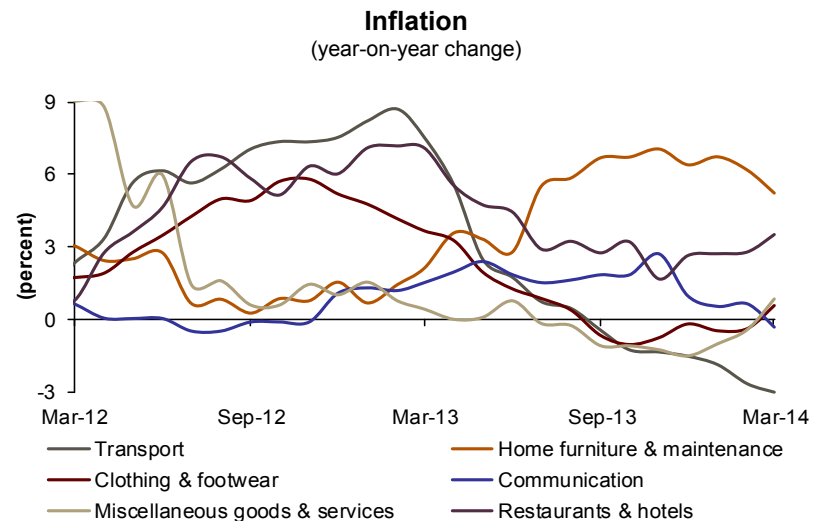
Year-on-year inflation dropped to 2.6 percent in March from 2.8 percent in February.



Food prices continued to fall, but inflation for rent and housing related items picked up to become the largest single contributor to headline inflation.



Inflation for transport hit a long term low in March while that for “other goods and services” turned positive for the first time in nine months.



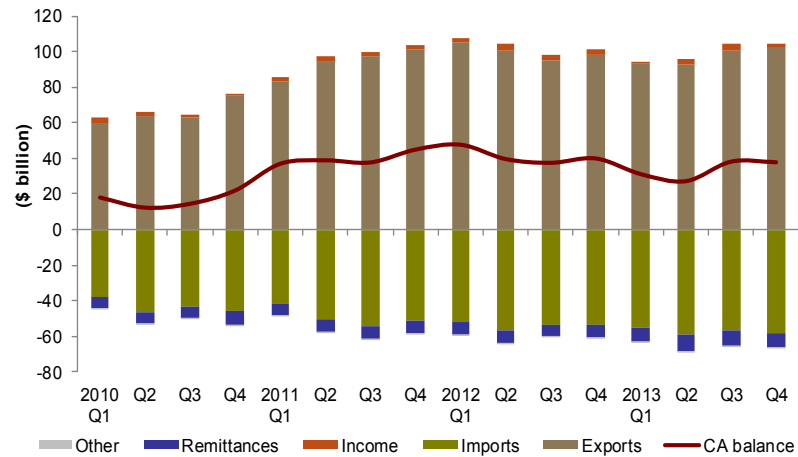


Balance of payments

Full balance of payments data for 2013 show that the current account surplus was \$134.3 billion (18 percent of GDP), \$4.5 billion higher than the preliminary estimate in the budget, but down from an all-time high of \$164.8 billion in 2012. Both lower oil revenues and higher imports of goods were the cause of the decline.

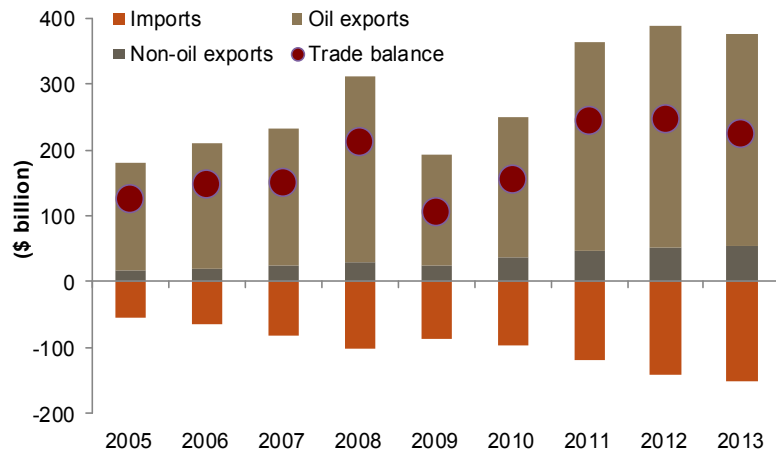
Current account surplus remained strong at 18 percent of GDP last year.

Current account



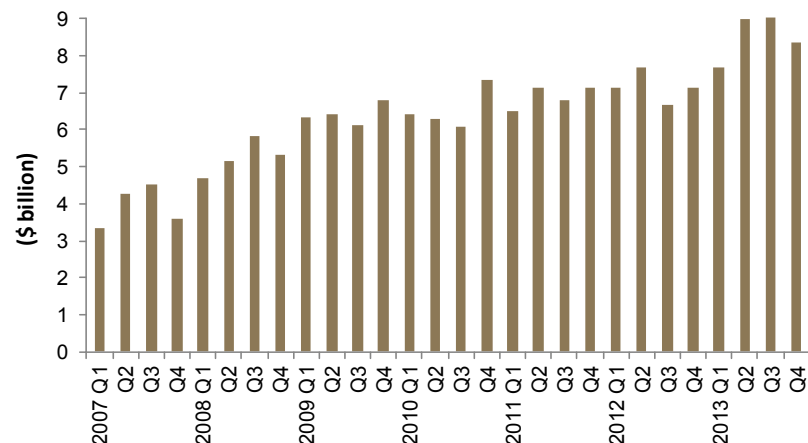
Despite a 7.3 percent increase in non-oil exports, lower oil exports pushed overall exports slightly down by 2.9 percent in 2013. Also, a 7.7 percent increase in imports led to a \$22.2 billion contraction in trade balance.

Exports, imports and trade balance



Workers remittances have been on an upward trend and totaled an all-time high of \$34.1 billion in 2013, despite a slight decline in the final quarter of last year.

Outflows of workers remittances

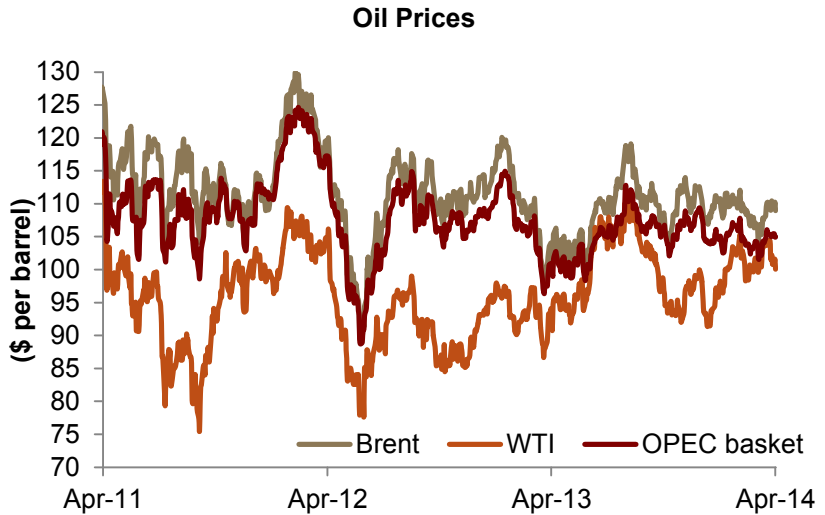




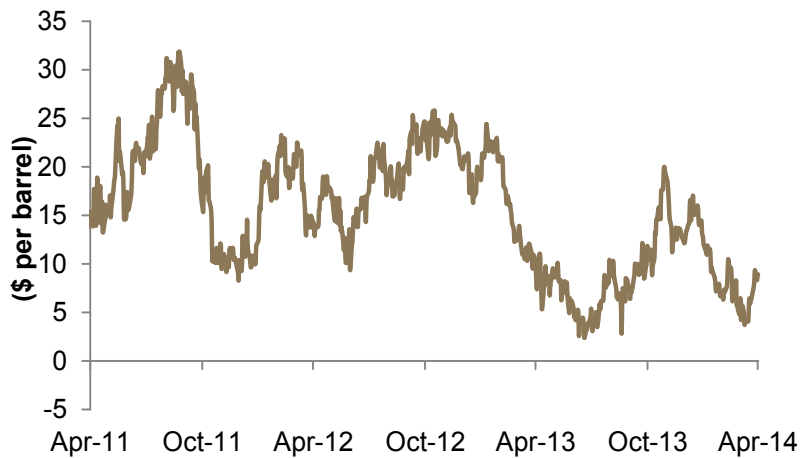
Oil

Brent prices were up 2.4 percent whilst WTI dropped 1.5 percent in April. Downward sentiment from expected improvements in Libyan supply were overridden by the Ukrainian crisis, pushing Brent prices up. Improved oil supplies to the US Gulf Coast, via a new pipeline, cooled WTI prices. Brent-WTI differentials stood at \$8.9 per barrel.

The removal of a bottleneck at Cushing, a key delivery point for US crude, reduced WTI by 1.5 percent, but the continued tensions in Ukraine pushed up Brent prices by 2.4 percent in April.



Brent-WTI crude oil spread



The larger drop in WTI over Brent in April meant the spread increased to \$8.9 per barrel, after dropping to \$5.8 per barrel in March.

Libyan Oil Supply



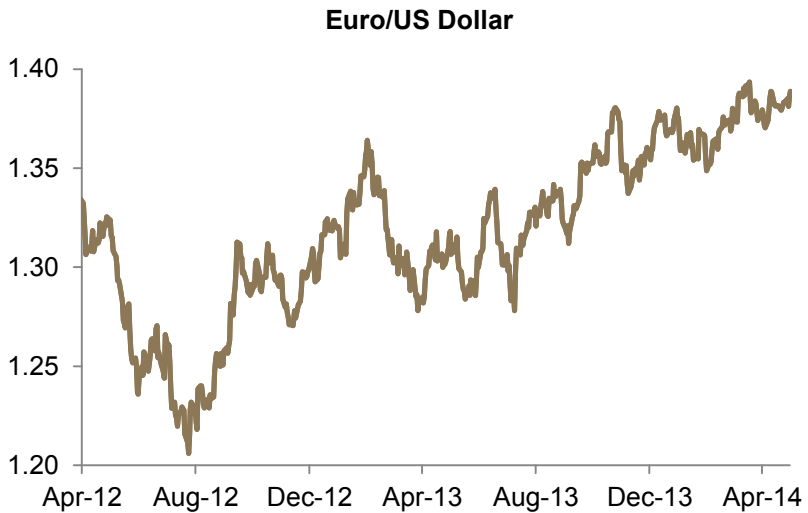
Libyan oil production remained depressed in March, dropping 40.5 percent month-on-month, although a political resolution is imminent which could partially restore supplies shortly.



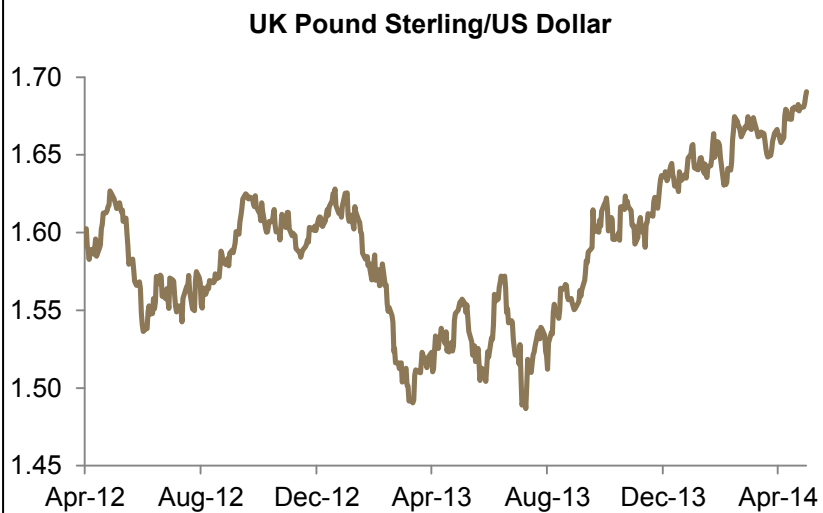
Exchange Rates

The euro maintained its strength against the dollar in April as the European Central Bank (ECB) hinted interest rates would not be lowered. Strong economic results in the UK saw the pound appreciate against the dollar, whilst capital inflows into Turkey following the elections strengthened the lira slightly.

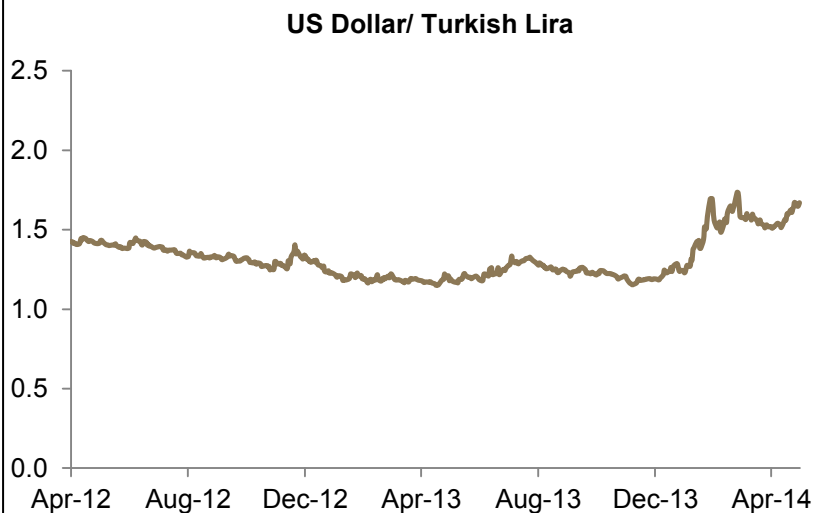
The ECB has not taken any action on lowering interest rates to fight off the threat of disinflation, resulting in the euro at 1.39 against the dollar in April with little change from the previous month.



A Q1 2014 rise of 3.1 percent in GDP, year-on-year, saw the UK pound rise to its highest level against the dollar since November 2009, in April.



The Turkish lira appreciated slightly in April due to increased capital inflows after elections as the Turkish Central Bank left interest rates unchanged following a Committee meeting.





Stock Market

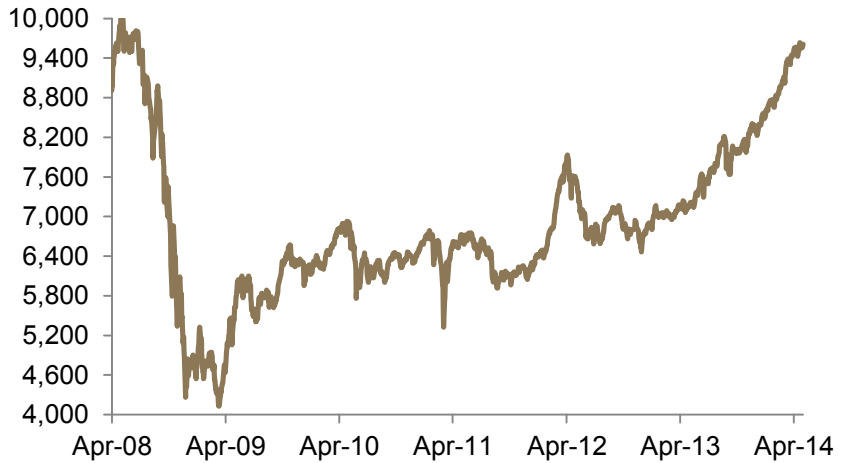
The TASI continued to rise in April, although the pace of increase was at a slower rate than in the previous month. The TASI recorded its eighth consecutive month of rises, reaching levels not seen since June 2009. The average daily turnover was SR10.6 billion, the highest for two years.

The TASI rose by 1.2 percent in April, slower than March's rise of 4 percent, but still managed to climb above the 9,500 mark, equal to levels previously seen in June 2009.

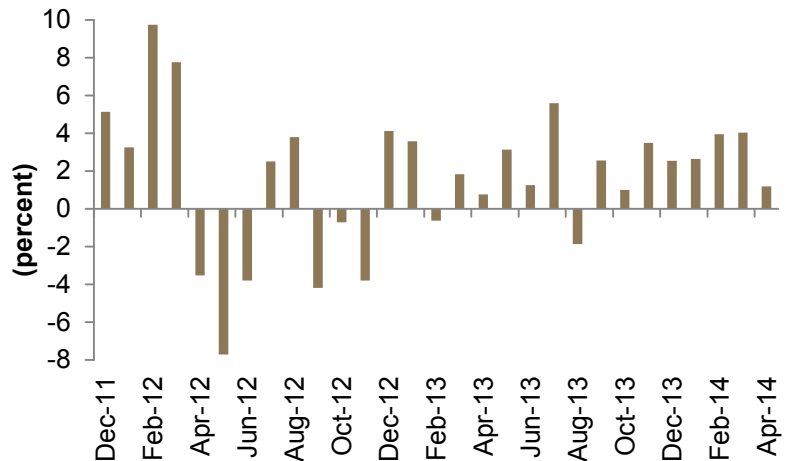
The TASI rose by 1.2 percent, its eighth consecutive month of increases, although it was the lowest level of rises since October 2013.

Turnover averaged SR10.6 billion per day in April, up 20 percent from March. The turnover average was the highest in exactly two years.

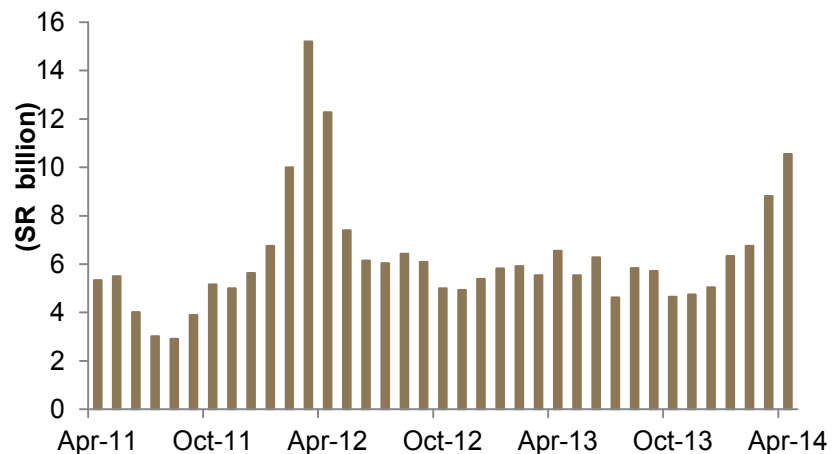
TASI



TASI monthly returns



Daily turnover





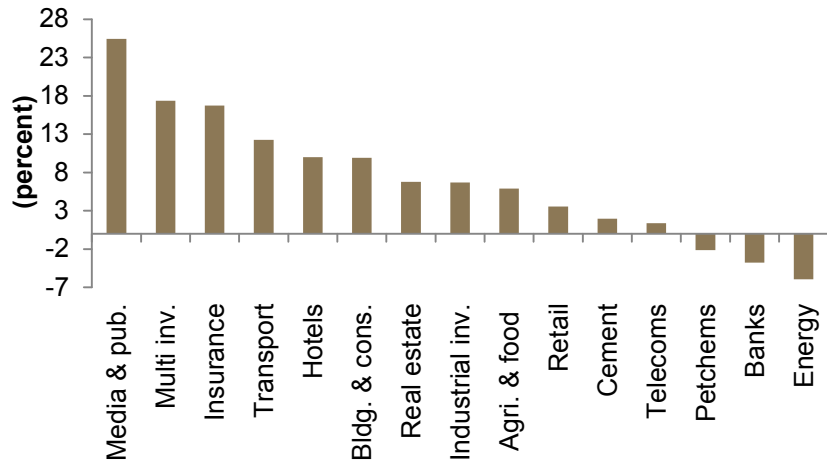
Sectoral Performance

Twelve of the 15 sectors were up in April. Smaller sectors outperformed larger ones with media & publishing stocks the highest gainers. Weaker Q1 2014 results affected petrochemical and energy stocks.

The smaller sectors outperformed larger ones with media & publishing, multi-investment and insurance recording the highest gains, and petrochemicals and banks amongst the larger sectors to perform the worst.

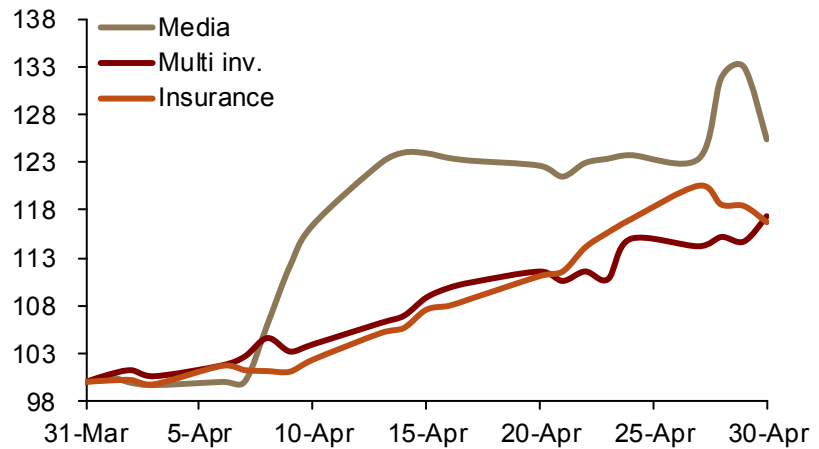
Performance by sector

(rebased; March 31, 2014 = 100)



Best Performing Sectors

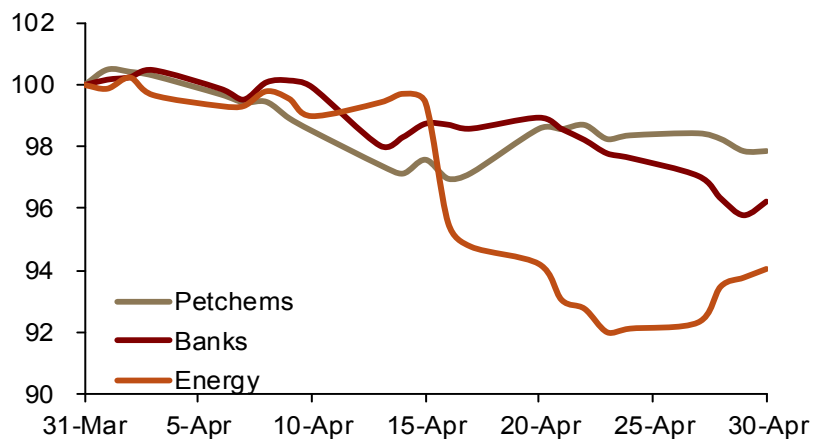
(rebased; March 31, 2014 = 100)



Investors jumped into many of the smaller sectors that have been the focus of activity in previous times of high volumes, reflecting investor confidence in the wider economy due to solid domestic fundamentals

Worst Performing Sectors

(rebased; March 31, 2014 = 100)



Disappointment with Q1 2014 results negatively affected petrochemical and energy stocks in April.



First quarter results

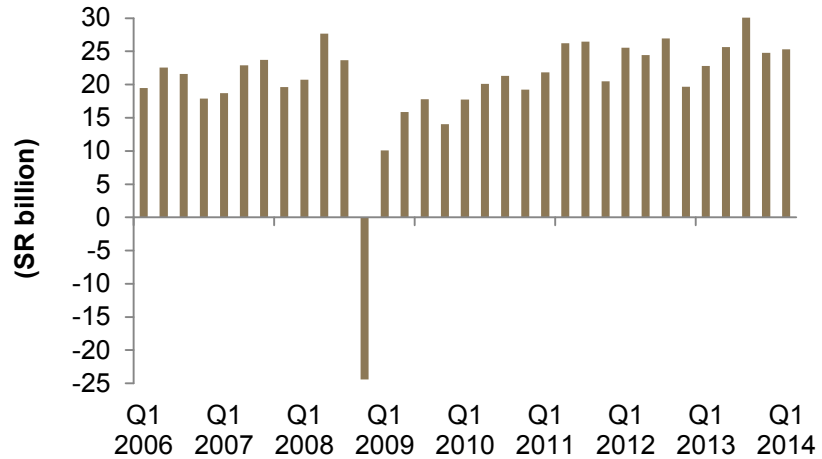
Net income of listed companies totaled SR25.3 billion in the first quarter. The petrochemical sector still accounts for the largest share of earnings, with banks second, whilst smaller sectors, such as media, recorded the highest annual growth.

Net income continued to show strong growth, in the first quarter it was up by 11 percent, year-on-year, and 2.1 percent, quarter-on-quarter, for listed companies.

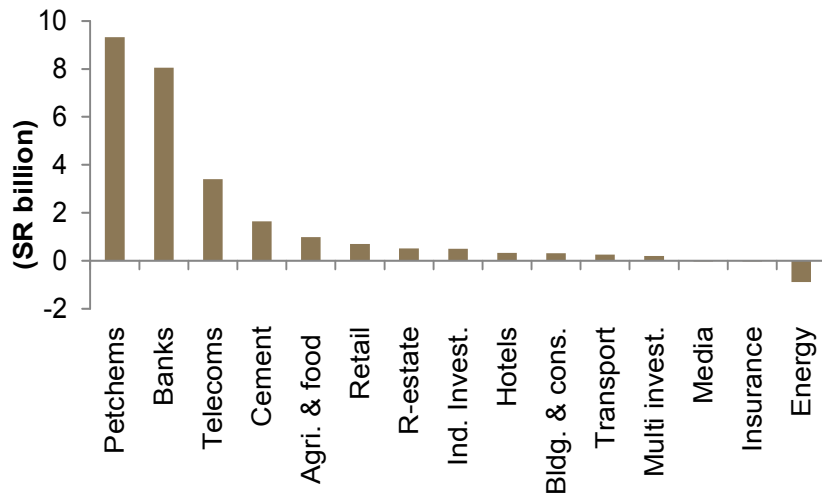
There is a high level of profit concentration amongst listed companies, with the top three sectors, petrochemicals, banks and telecoms, contributing 82 percent of net income in the first quarter.

The smaller sectors such as media, multi-investment and energy recorded the largest net income growth in the first quarter, year-on-year.

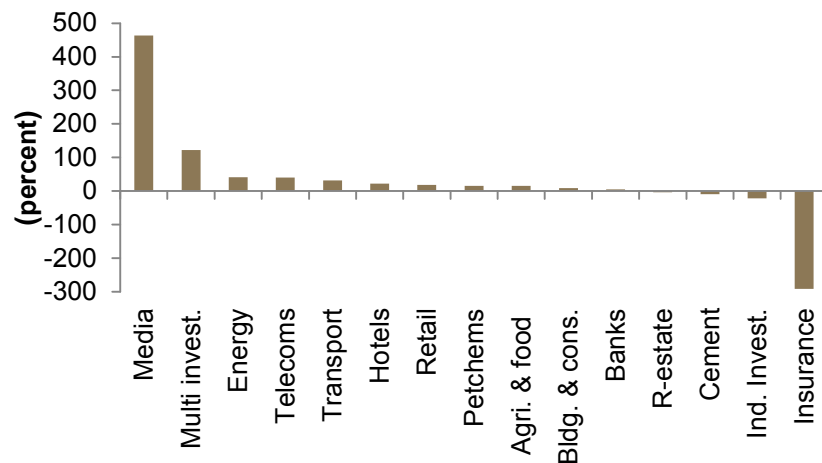
Net income of listed companies



Net Income by sector
(first quarter, 2014)



Net income by sector
(year-on-year change)





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 | 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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