



## Summary

**Real Economy:** Economic data was positive for September, with the non-oil PMI expanding at its fastest rate since June 2011. Consumer spending remained robust.

**Monetary indicators:** Growth in money supply slowed in September following a thirteen month high in the previous month. An acceleration in growth was recorded in both currency outside banks and private sector credit.

**Bank lending:** Bank lending to the private sector recorded its highest year-on-year growth since November 2013. Firms in the commerce and manufacturing sectors have been the main recipients of new lending so far this year.

**Inflation:** Inflation remained unchanged at 2.8 percent year-on-year in September. Rental inflation continued to accelerate as market anticipation faded for government-led housing initiatives.

**Trade:** Non-oil exports continued to record strong growth in August, both in year-on-year and monthly terms. A sharp increase was also recorded for imports in both value and volume.

**Oil –Global:** Oil prices continued to slide in October due to ample supply. Weaker economic growth indicators from China, EU and Japan plus the strength of the dollar weighed in on the demand side.

**Oil –Regional:** Saudi crude production increased to 9.7 mbpd, in September, despite lower oil prices and ample global supply.

**Exchange rates:** Softer economic data in the US resulted in the euro remaining stable. Falling oil prices and a sell off in equity markets meant the riyal's forward rate jumped to a three and half year high.

**Stock market:** A sell-off in October saw the TASI drop, month-on-month. Lower oil prices added to negative sentiment but investors also sold shares to free up cash for the National Commercial Bank's IPO subscription.

**Volumes:** Total volumes decreased by 18.6 percent, month-on-month, in October.

**Valuations:** The sell-off in shares in the TASI during October helped push down price-to-earnings (PE) ratio. October PE stood at 19.23.

**Sectoral performance:** The dip in the TASI meant all fifteen sectors saw negative performance. The usually strong performing petchem. sector was the poorest performer in October.

**Third quarter results:** Net income of listed companies totaled SR30.8 billion in Q3 2014. The petchem. sector still accounts for the largest share of earnings, with banks second.

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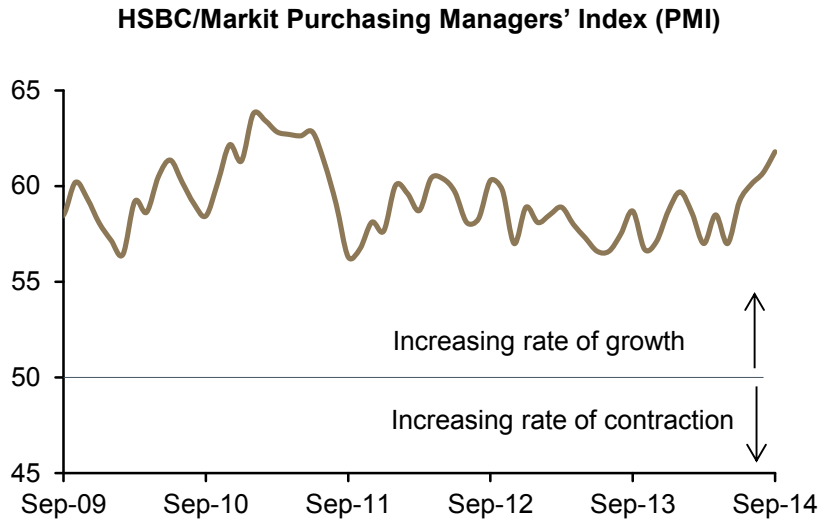
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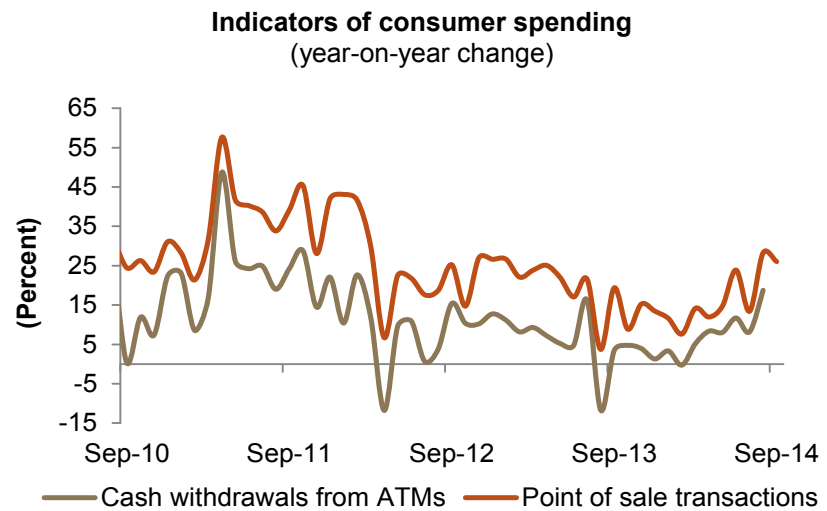
## Real Economy

Economic data was positive for September, with the non-oil PMI expanding at its fastest rate since June 2011. Consumer spending remained robust with high year-on-year growth in both point of sale transactions and cash withdrawals from ATMs. Cement sales rebounded strongly following a seasonal dip.

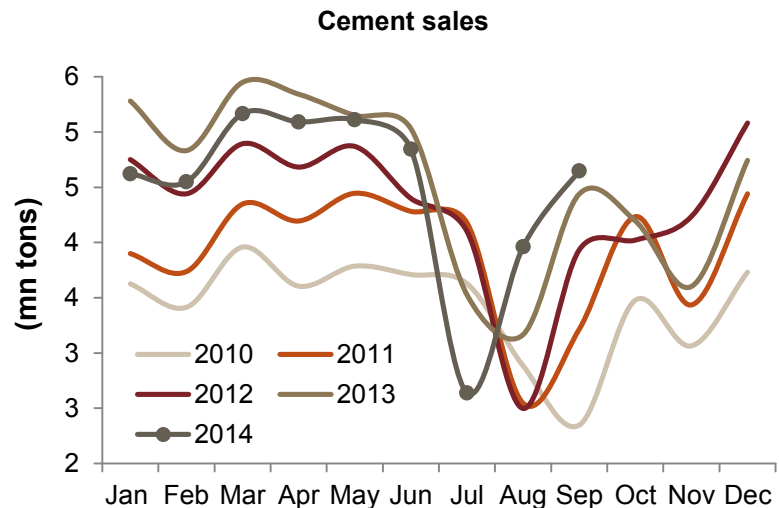
*The overall non-oil Markit/HSBC PMI registered 61.8 in September, the fastest rate of expansion since June 2011.*



*Consumer spending remained robust with high year-on-year growth in both point of sale transactions and ATM withdrawals.*



*Cement sales rebounded strongly in September following a seasonal dip, but year-to-September sales remained 3.7 percent lower compared to the same period last year.*

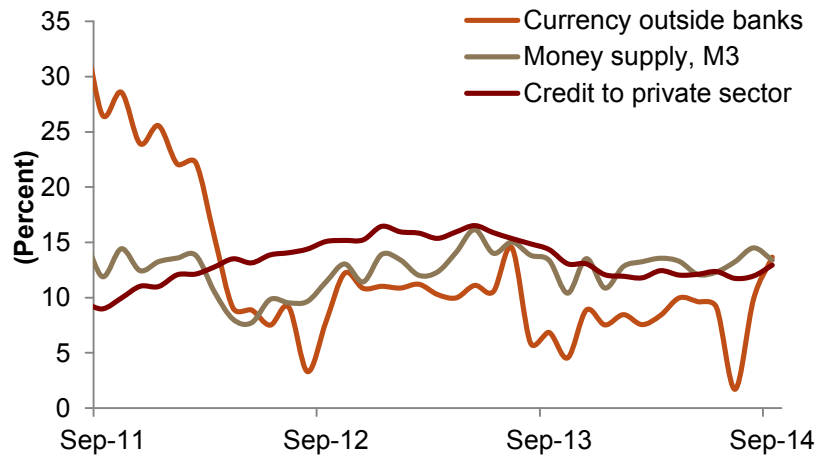




## Monetary indicators

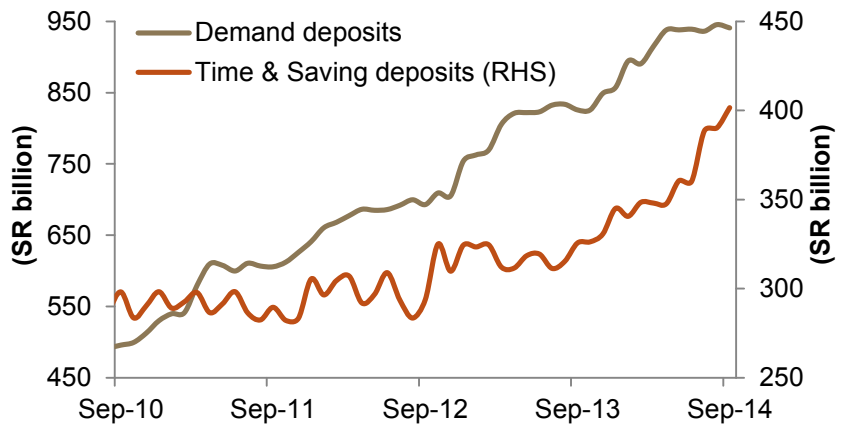
Growth in money supply slowed in September following a thirteen month high in the previous month. An acceleration in growth was recorded in both currency outside banks and private sector credit. Demand deposits recorded a slight decline in September which was probably used to finance activity in the stock market.

**Broad money, currency in circulation, and private sector credit**  
(year-on-year change)



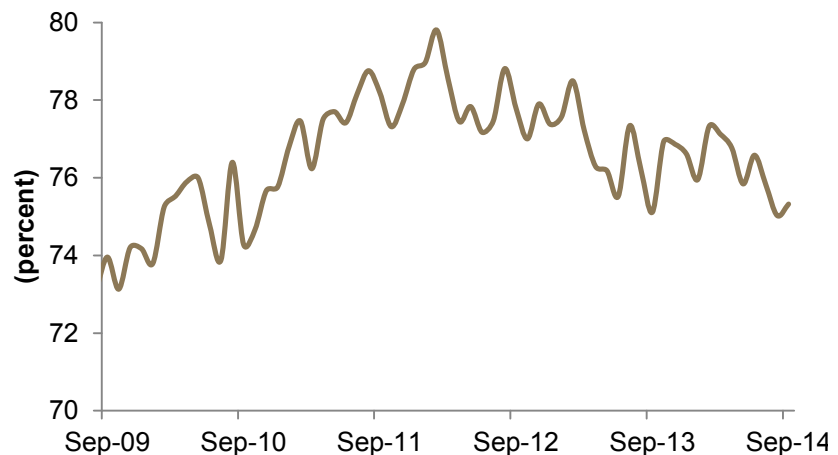
*Growth in money supply slowed to 13.4 percent in September, following a thirteen month high in the previous month.*

**Breakdown of bank deposits by type**



*Demand deposits recorded a slight decline while time & savings deposits reached an all time high at SR 402 billion.*

**Demand deposits Business and individuals deposits**  
(percent of total deposits)



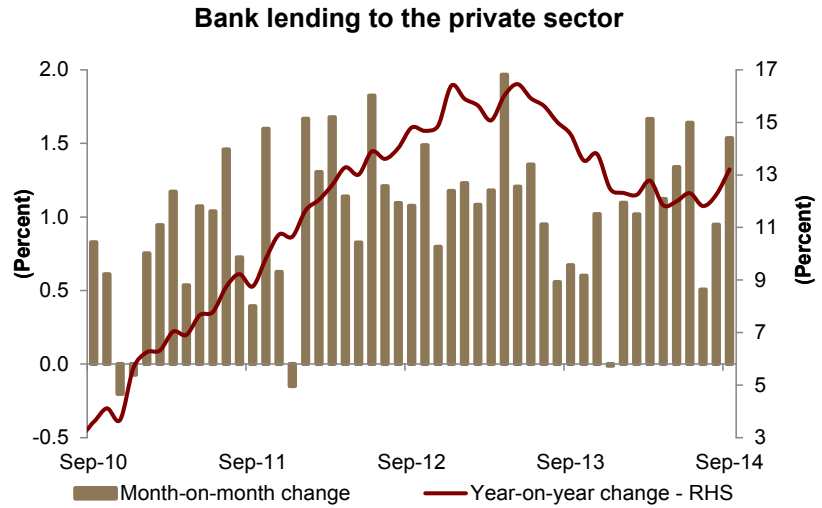
*Business and individuals deposits continued to be lower as a share of total deposits compared to previous months.*



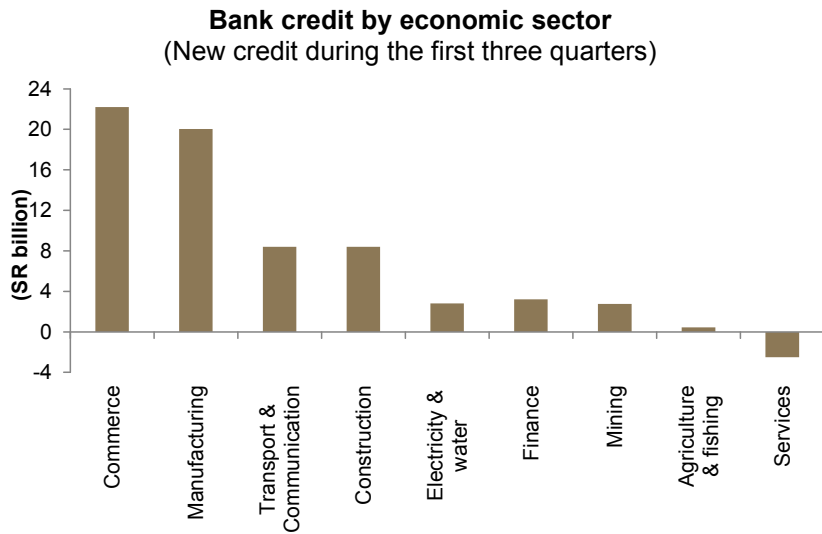
## Bank lending

Bank lending to the private sector recorded its highest year-on-year growth since November 2013. Firms in the commerce and manufacturing sectors have been the main recipients of new lending so far this year. Growth in total loans outpaced that of deposits, which led to an increase in the loan-to-deposit ratio.

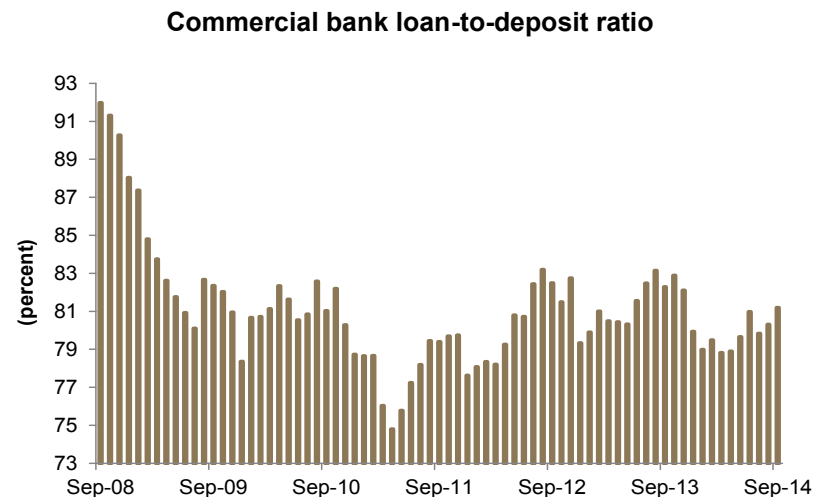
*Bank lending to the private sector recorded its highest year-on-year growth at 13.2 percent, the highest since November 2013.*



*While the commerce and manufacturing sectors have been the main recipients of net new lending so far this year, credit to transport, construction and finance sectors recorded the highest annual growth.*



*Growth in total loans outpaced the growth in deposits, which lead to an increase in the loan-to-deposit ratio to 81.2 percent, up from 80.4 percent in August.*

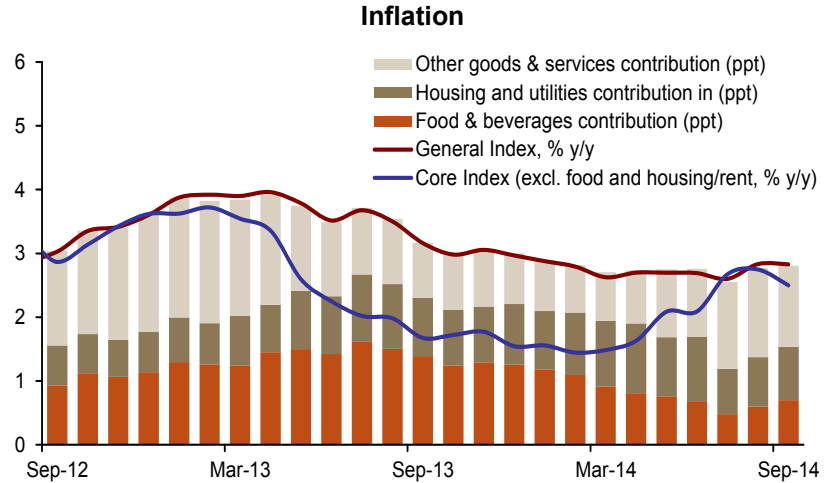




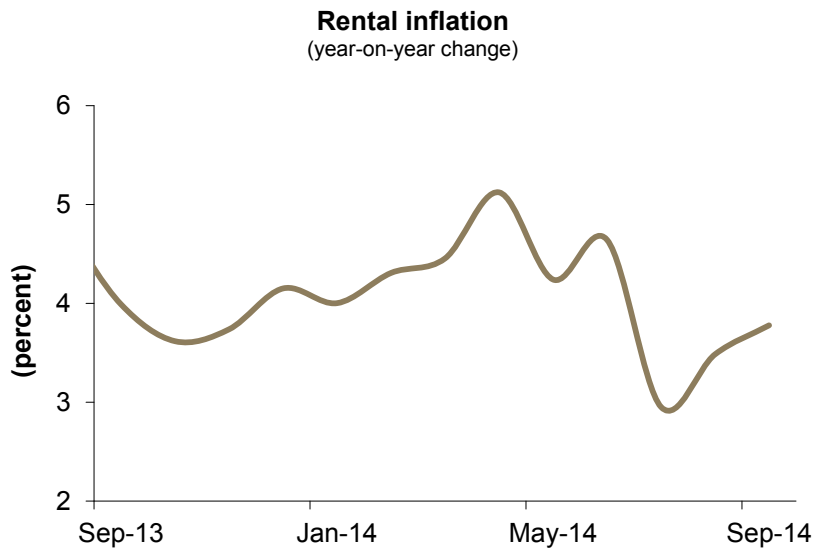
## Inflation

Inflation remained unchanged at 2.8 percent year-on-year in September. Rental inflation continued to accelerate as market anticipation faded for government-led housing initiatives. Domestic food price inflation accelerated as well, to 2.9 percent, in September, despite a deflationary trend in international food prices.

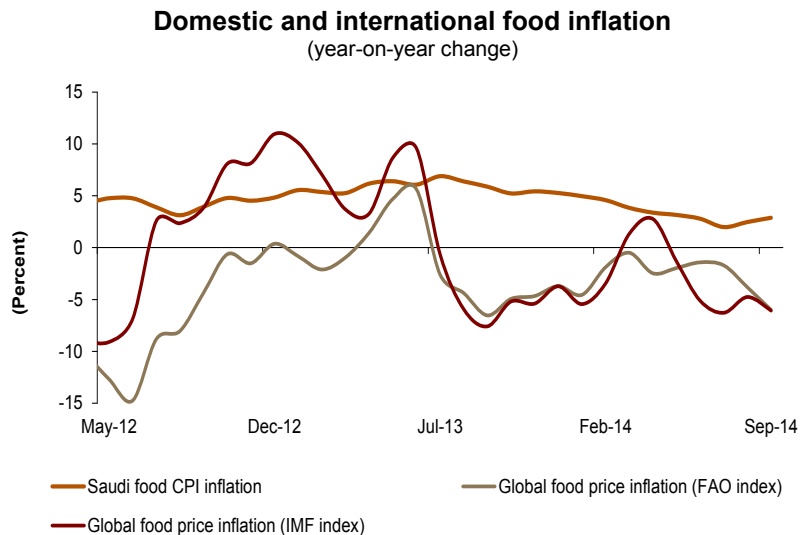
*Inflation remained unchanged at 2.8 percent year-on-year.*



*Rental inflation – a segment under the housing and utilities component – continued to accelerate for the second consecutive month...*



*...with foodstuffs also recording an acceleration despite a deflationary trend in international food prices.*

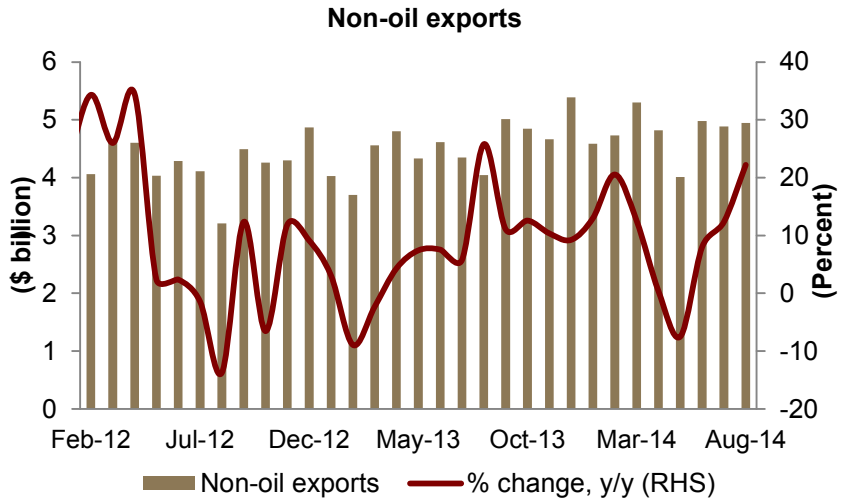




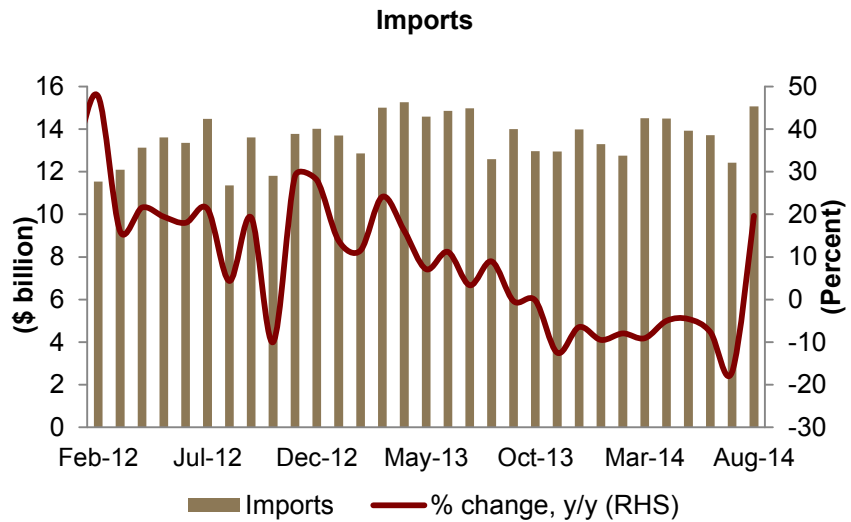
## Trade

Non-oil exports continued to record strong growth in August, both in year-on-year and monthly terms. A sharp increase was also recorded for imports in both value and volume, reversing the declining trend observed in the previous three months. New LOCs continued to increase, suggesting strong import activity in upcoming months.

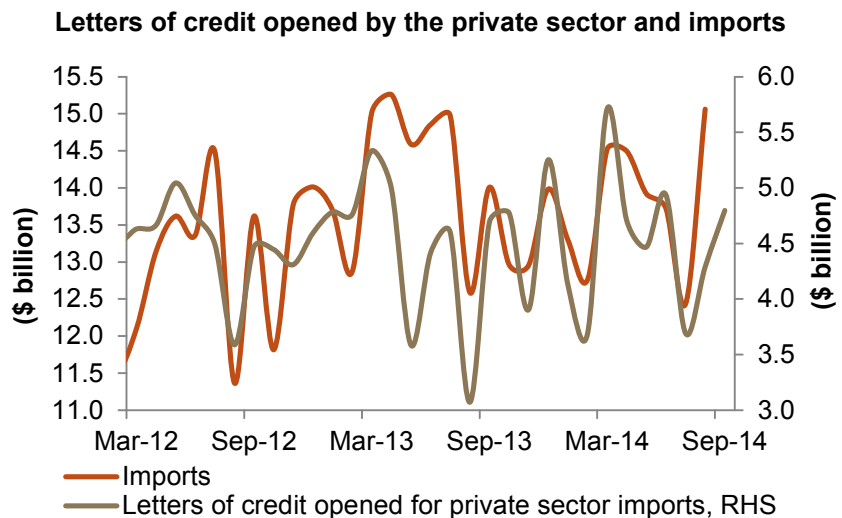
*Non-oil exports continued to record strong year-on-year growth in August.*



*Imports have also reversed their declining trend in previous months, (up by USD 9.9 billion month-on-month and 19.6% respectively).*



*New LOCs opened suggest that strong import activity will continue in upcoming months.*

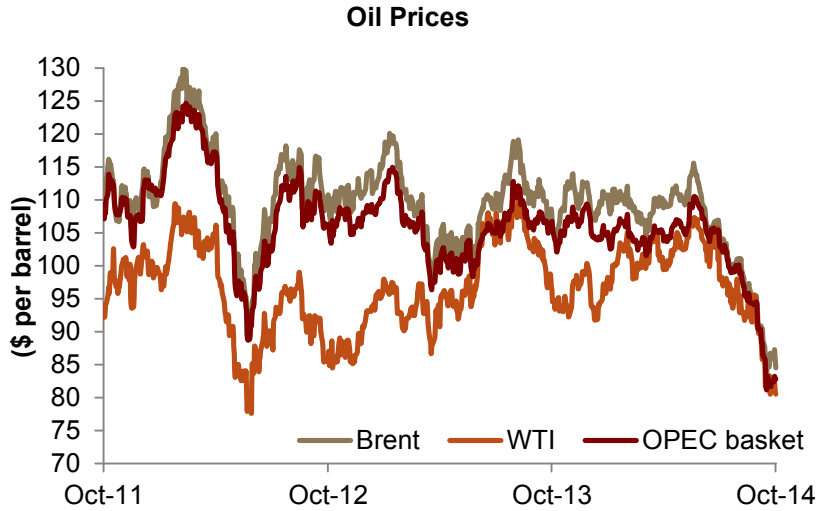




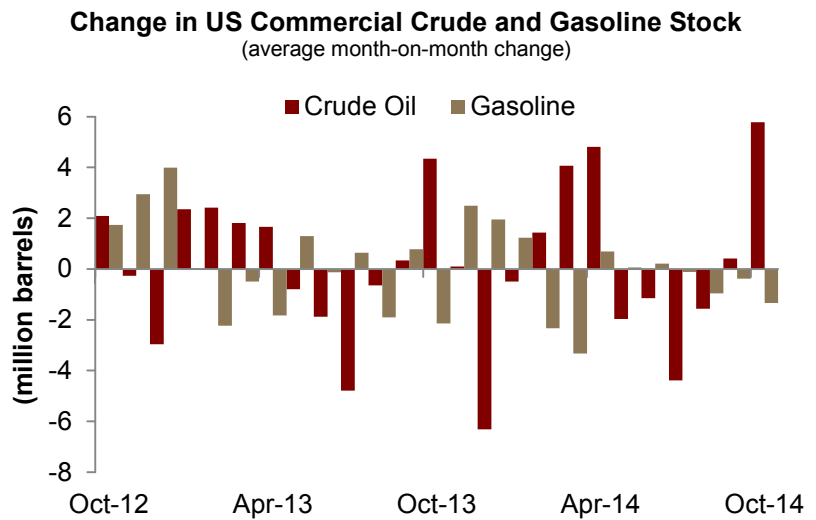
## Oil - Global

Oil prices continued to slide in October as supply outstripped demand. Both WTI and Brent prices dropped for the fourth month in a row on the back of rising non-OPEC supply. Weaker economic growth indicators from China, EU and Japan plus the continued strength of the dollar weighed in on the demand side.

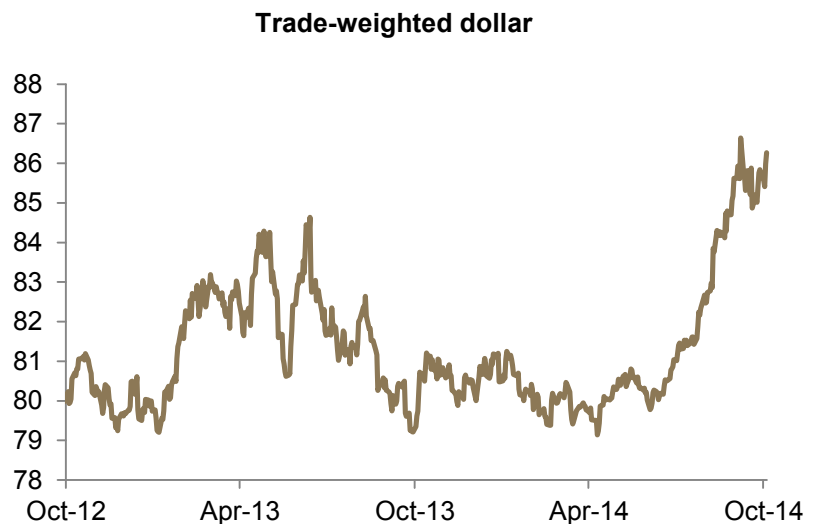
*Brent averaged \$88 per barrel during October, the lowest since November 2010...*



*...WTI also fell as commercial crude stocks increased by 5.8 million barrels.*



*Meanwhile, crude oil still remains expensive for non-US consumers.*



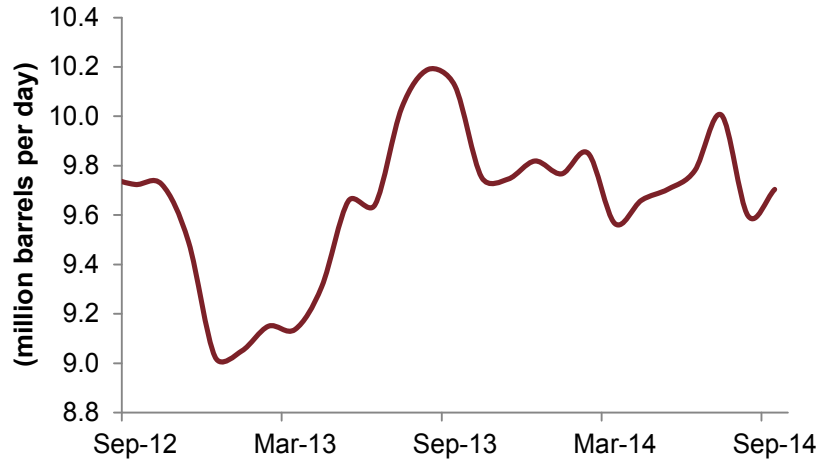


## Oil - Regional

Saudi crude production increased to 9.7 mbpd, in September, despite lower oil prices and ample global supply. Production also increased in Libya and Iraq, month-on-month, further diminishing the threat of supply disruptions in both countries. Latest data shows that Saudi exports in August fell to their lowest levels since January 2011.

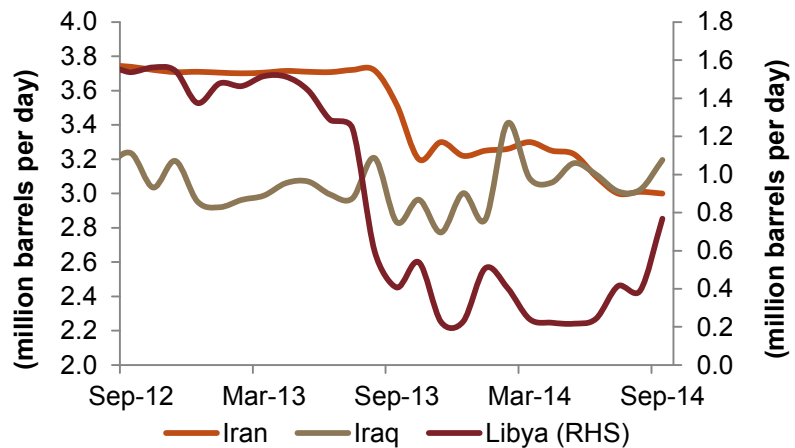
*Although September production was up, month-on-month, we expect output to be lower for the remainder of 2014, in line with our forecasts.*

**Saudi crude production**



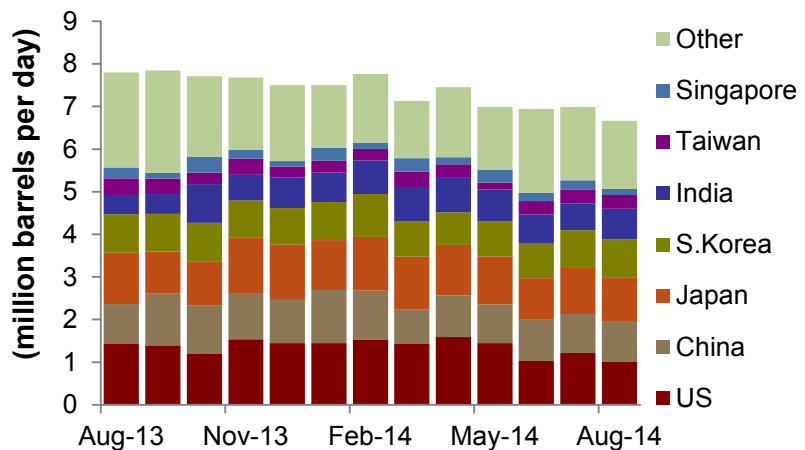
*Libyan production increased by 96 percent, month-on-month, to 768 tbpd, the highest in 13 months.*

**Libyan, Iraqi and Iranian oil supply**



*Latest data for August shows the steepest declines in crude exports were recorded to the US and Other regions (incl. Europe).*

**Saudi crude exports by country**



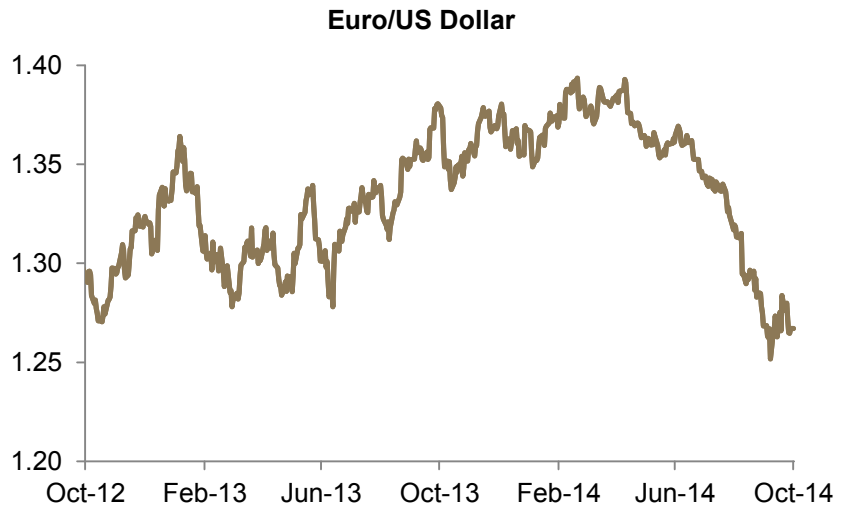




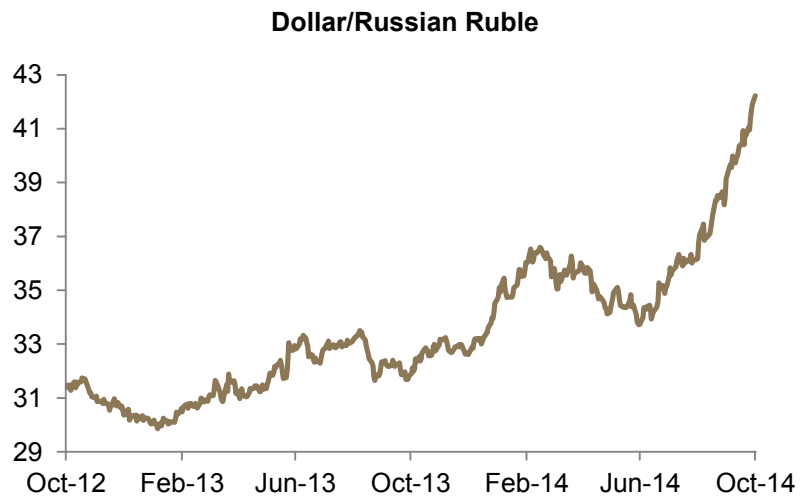
## Exchange Rates

Softer economic data in the US resulted in the euro remaining unchanged month-on-month in October. Falling oil prices added to the Russian ruble's slide. Falling oil prices and a sell off in equity markets meant the riyal's forward rate jumped to its highest level against the dollar since March 2011.

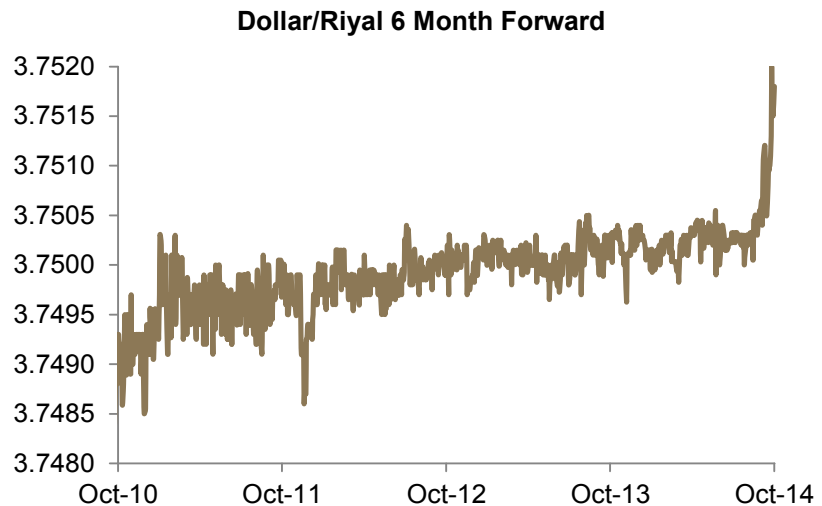
*The euro held firm after softer US economic data lowered expectations of any interest rate rises by the Federal Reserve.*



*The ruble weakened to a record low amid falling oil prices and concerns that Russia will toughen its stance over Ukraine.*



*Falling oil prices and a sell off in equity markets, in line with global trends, pressured the dollar/riyal forward rate.*





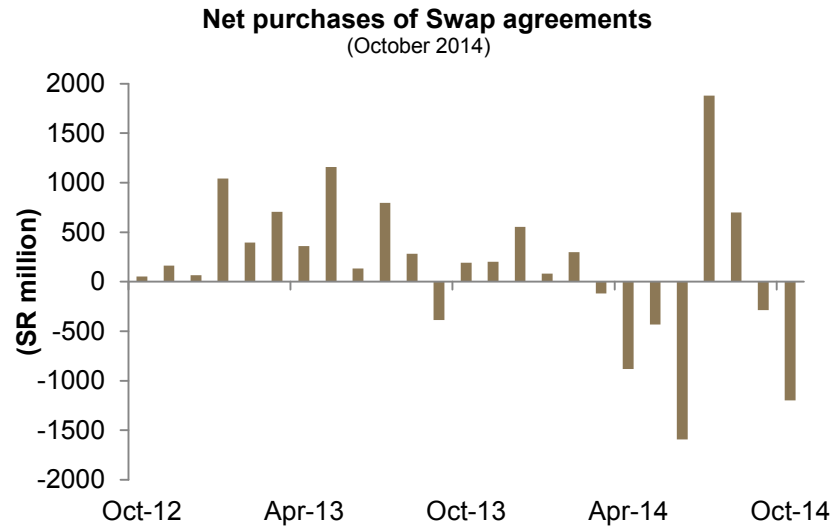
## Stock Market

A sell-off in October saw the TASI drop, month-on-month. Lower oil prices added to negative sentiment but investors also sold shares to free up cash for the National Commercial Bank's IPO subscription. Global growth fears meant that most major equity markets performed poorly.

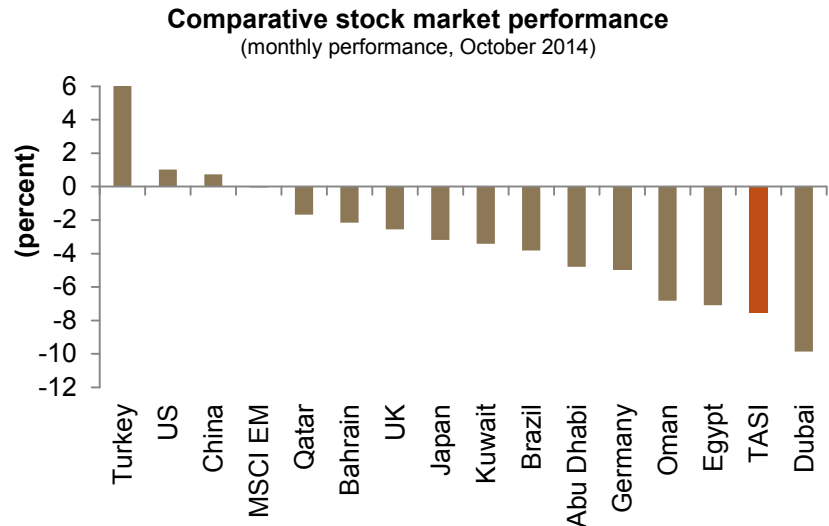
*The TASI fell 7.5 percent in October to 10,034 points...*



*...net purchases of swaps were negative as foreign investors cashed-in...*



*...although the sell-off was felt across most major global equity markets.*



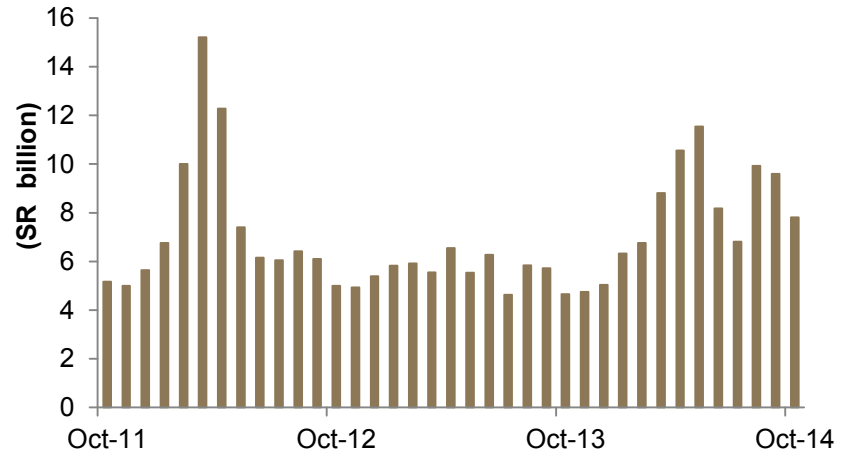


## Volumes

Total volumes decreased by 18.6 percent, month-on-month, in October. Volumes dropped to their lowest monthly average since February 2014. Banks and petchems. dominated turnover although the insurance sector saw large turnover too.

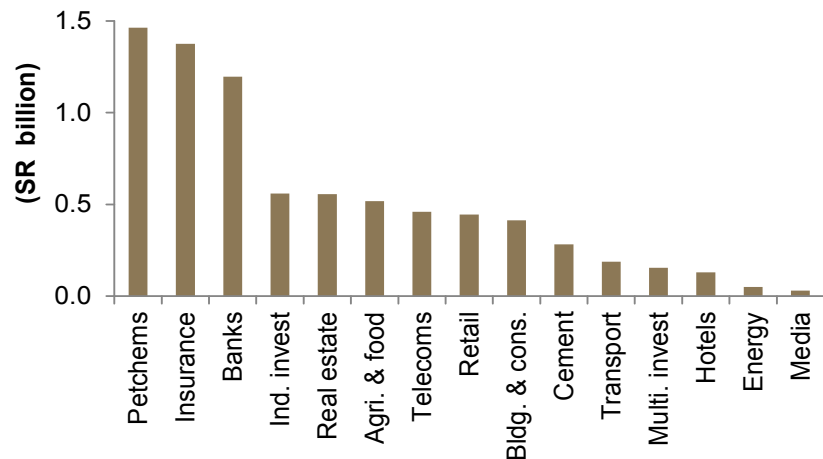
*Average daily turnover dropped by 18.6 percent, month-on-month.*

**Daily average stock market turnover**



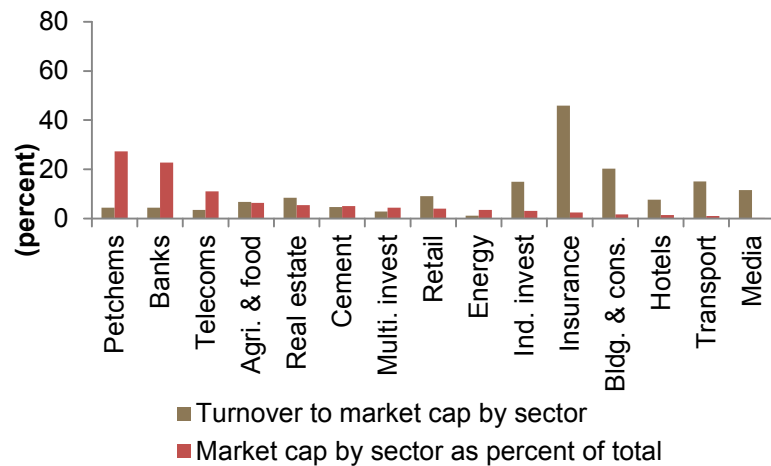
*Larger sectors, with the exception of insurance, saw the biggest average daily turnover.*

**Turnover by sector (daily average)**



*Turnover to market cap was more prominent in smaller sectors due to investor speculation.*

**Turnover as percent of market cap (October, 2014)**

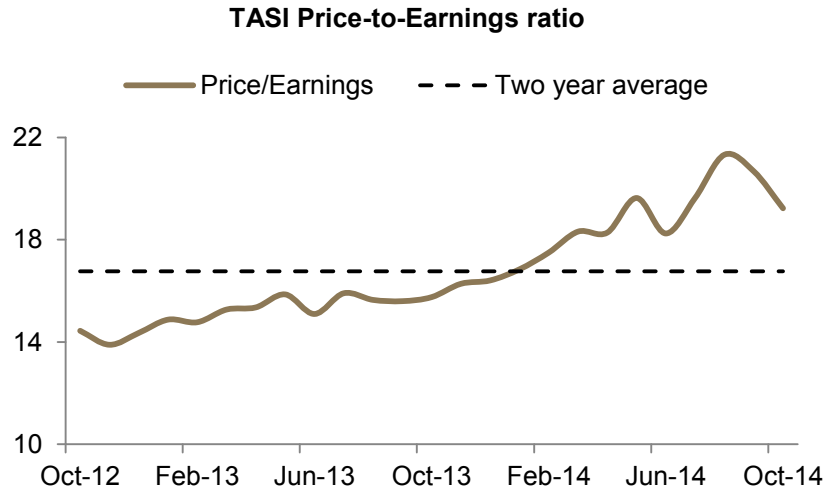




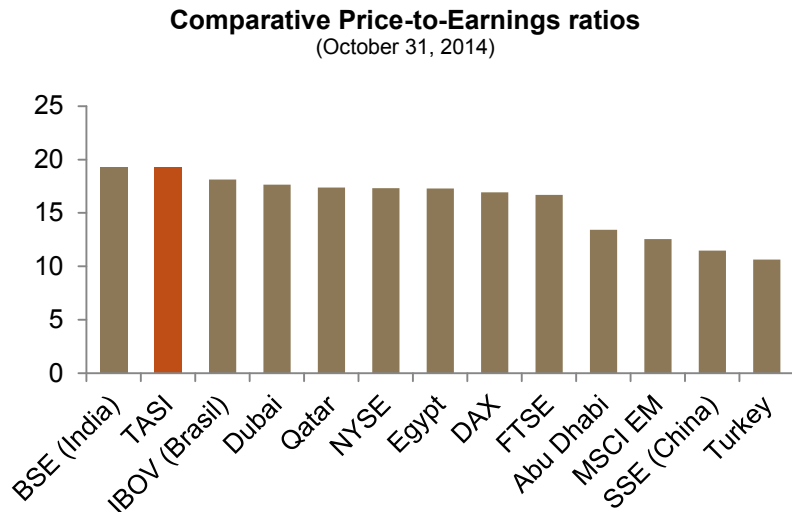
## Valuations

The sell-off in shares in the TASI during October helped push down price-to-earnings (PE) ratio. October PE stood at 19.23. Although the trend is downwards, the TASI remains comparably expensive. Also, dividend yields have improved marginally, month-on-month, but are average compared to most major indices.

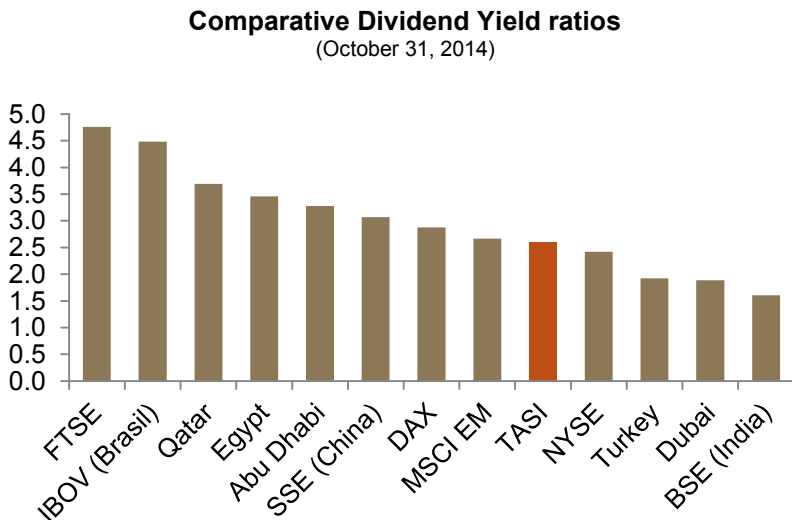
*PE is trending downwards after peaking in August...*



*...but other indices' PE ratios have also trended downwards, meaning the TASI is expensive...*



*...with average dividend yield ratios still comparably average.*

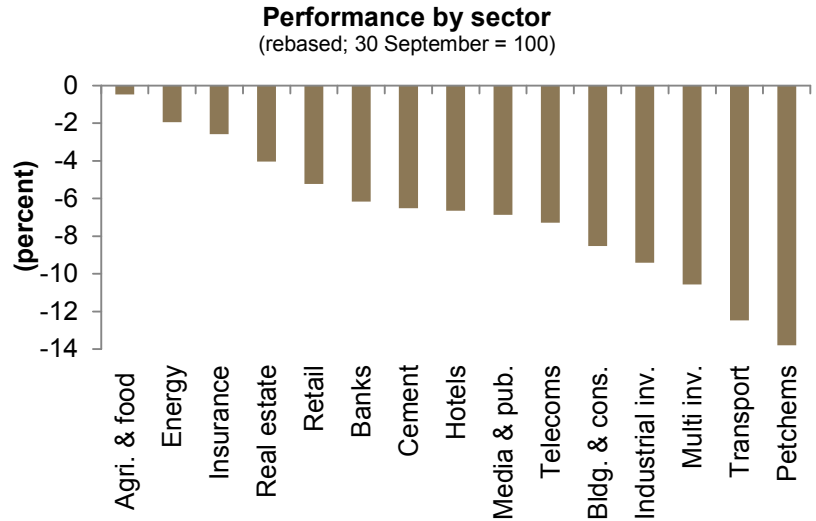




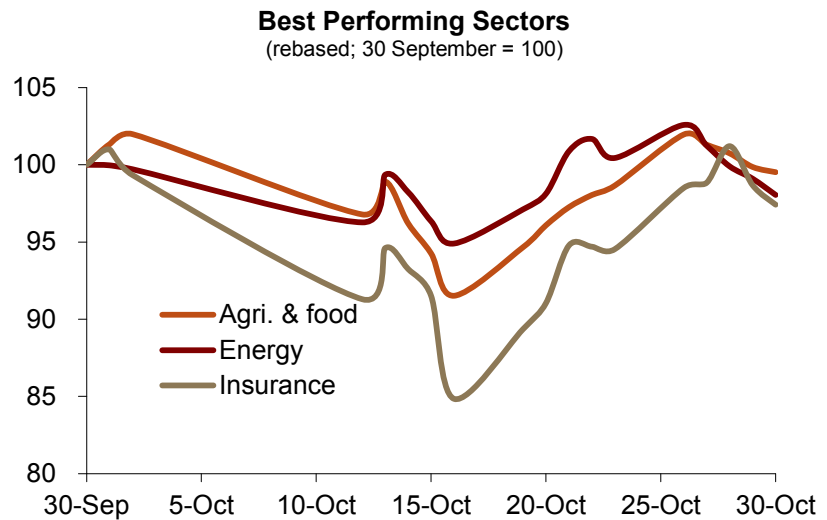
## Sectoral Performance

The dip in the TASI meant all fifteen sectors saw negative performance. The usually strong performing petchem. sector was the poorest performer in October, on the back of slower international sales, a problem faced by petchems. companies globally.

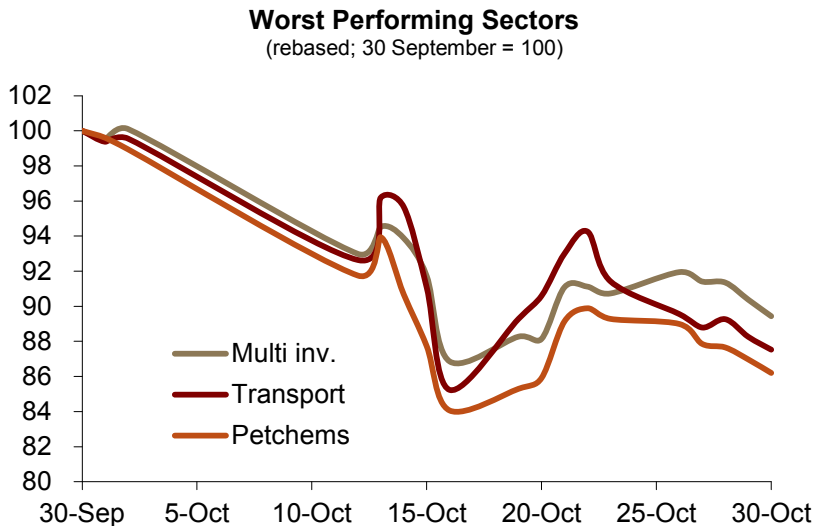
*The sell-off in the TASI affected all sector's performance negatively...*



*...with the agriculture and food sector having the least negative performance.*



*The petchem. sector suffered as a result of underperformance on expected earnings.*





### Third quarter results

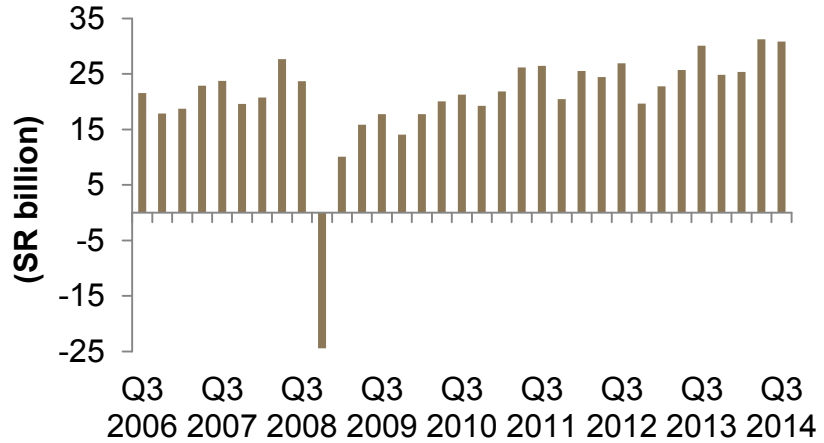
Net income of listed companies totaled SR30.8 billion in Q3 2014. The petchem. sector still accounts for the largest share of earnings, with banks second. All telecom companies recorded declining profits, year-on-year, resulting in the sector's poor performance in Q3.

*Net income was up 2.4 percent year-on-year, but quarter-on-quarter was down 1.4 percent, due to weaker petchem. sector profitability.*

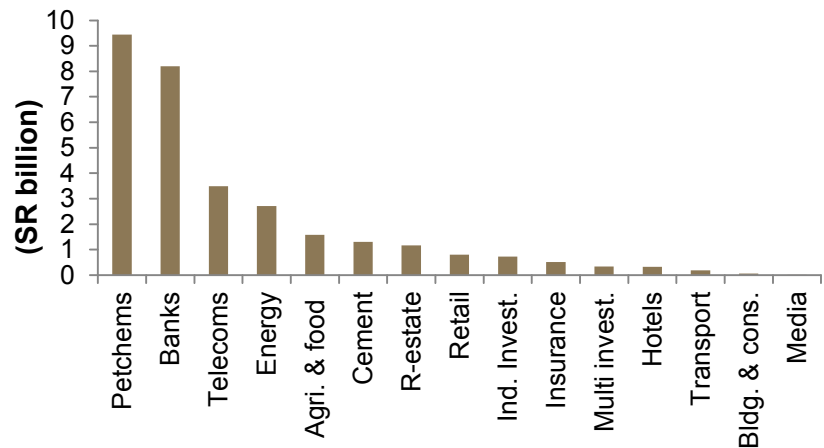
*The petchem. and banking sector still account for a large portion of profit amongst listed companies, contributing 57 percent of net income in Q3.*

*All telecom operators saw negative net income growth, year-on-year, partially reflective of the intense competition in the sector.*

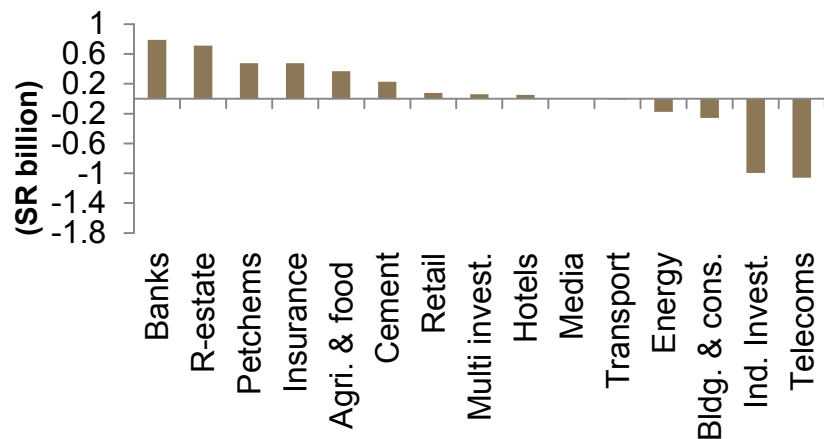
**Net income of listed companies**



**Net Income by sector**  
(Third quarter, 2014)



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





## Key Data

	2007	2008	2009	2010	2011	2012	2013	2014 F	2015 F
<b>Nominal GDP</b>									
(SR billion)	1,559	1,949	1,609	1,976	2,511	2,752	2,807	2,879	2,964
(\$ billion)	415.7	519.8	429.1	526.8	669.5	734.0	748.4	767.6	790.3
(% change)	10.4	25.0	-17.4	22.8	27.1	9.6	2.0	2.6	3.0
<b>Real GDP (% change)</b>									
Oil	-3.8	4.3	-8.0	0.3	11.0	5.7	-1.0	0.4	-0.6
Non-oil private sector	12.0	11.1	4.9	10.3	7.7	6.0	6.0	5.5	4.8
Government	4.9	6.2	6.3	7.5	8.7	5.5	3.7	4.2	3.0
Total	6.0	8.4	1.8	7.4	8.6	5.8	4.0	4.2	3.4
<b>Oil indicators (average)</b>									
Brent (\$/b)	72.9	97.2	61.7	79.8	112.2	112.4	109.6	102.2	99.8
Saudi (\$/b)	67.2	94.0	60.4	77.5	103.9	106.1	104.2	98.2	95.8
Production (million b/d)	8.8	9.2	8.2	8.2	9.3	9.8	9.6	9.7	9.6
<b>Budgetary indicators (SR billion)</b>									
Government revenue	643	1,101	510	742	1,118	1,247	1,156	1,079	1,057
Government expenditure	466	520	596	654	827	873	976	1,017	1,025
Budget balance	177	581	-87	88	291	374	180	62	32
(% GDP)	11.3	29.8	-5.4	4.4	11.6	13.6	6.4	2.2	1.1
Domestic debt	267	235	225	167	135	99	75	68	61
(% GDP)	17.1	12.1	14.0	8.5	5.4	3.6	2.7	2.3	2.1
<b>Monetary indicators (average)</b>									
Inflation (% change)	5.0	6.1	4.1	3.8	3.7	2.9	3.5	2.8	2.9
SAMA base lending rate (% , year end)	5.5	2.5	2.0	2.0	2.0	2.0	2.0	2.0	2.0
<b>External trade indicators (\$ billion)</b>									
Oil export revenues	208.3	284.1	166.9	215.2	317.6	337.5	323.1	270.7	253.8
Total export revenues	233.2	313.5	192.3	251.1	364.7	388.4	377.0	327.4	313.0
Imports	81.5	100.6	86.4	97.4	120.0	141.8	152.7	158.3	162.6
Trade balance	151.7	212.8	105.9	153.7	244.7	246.6	224.3	169.1	150.4
Current account balance	93.3	132.3	21.0	66.8	158.5	164.8	134.3	83.9	61.1
(% GDP)	22.5	25.5	4.9	12.7	23.7	22.4	17.9	10.9	7.7
Official reserve assets	305.6	442.7	410.1	445.1	544.0	656.6	725.7	750.2	773.4
<b>Social and demographic indicators</b>									
Population (million)	24.9	25.8	26.7	27.6	28.4	29.2	30.0	30.9	31.8
Unemployment (15+, %)	11.2	10.0	10.5	11.2	12.4	12.0	11.7	10.7	10.5
GDP per capita (\$)	16,667	20,157	16,095	19,113	23,594	25,139	24,953	24,869	24,878

Sources: Jadwa forecasts for 2014 and 2015. 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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