



Summary

Real Economy: Data for December showed a slight cooling in economic activity. POS rose by 10 percent whilst cash withdrawals were flat, and non-oil PMI index was marginally down to 54.4 in December.

Government Finance: The net monthly change to government accounts with SAMA was down by SR62 billion month-on-month in December, affected by a decline in government reserves.

SAMA foreign Reserve Assets: SAMA FX reserves declined by \$7.8 billion month-on-month to \$496.6 billion in December.

Money Supply: The broad measure of money supply (M3) rose by 3 percent in December, year-on-year, marking the highest annual rise since January 2016.

Bank Deposits: Bank deposits rose by 2.6 percent year-on-year in December. Private deposits saw a significant rise by 3.3 percent year-on-year, affected by a continuous rise in time and saving deposits.

Bank Credit: Total bank claims rose by 5.4 percent in December, year-on-year, as credit to the private sector rose by 3 percent year-on-year.

Inflation: Prices rose in December by 2.2 percent year-on-year, but declined by 0.3 percent month-on-month.

Labor Market: The Saudi unemployment rate was slightly down in Q3 2018, at 12.8 percent. Both male and female unemployment rates declined, to 7.5 and 30.9 percent respectively.

Real Estate: Real estate prices declined by 5 percent in Q4 2018, year-on-year, marking the largest drop since Q3 2017.

2018 GDP: Provisional data for 2018, released by GaStat, showed Saudi economy expanded by 2.2 percent year-on-year in 2018, with growth being helped by both the oil sector (up 2.8 percent), and non-oil GDP (up 2.1 percent).

NIDL P: The Ministry of Energy launched one of the largest Vision Realization Programs so far, which seeks to attract private sector investments worth \$427 billion into the Kingdom by 2030.

Oil-Global: Lower OPEC output and hopes of some progress over the US-China trade dispute helped push Brent prices 4 percent and WTI prices 3 percent month-on-month in January.

Oil-Regional: Saudi crude oil production declined by 450 ttpd, or 4 percent, month-on-month in December.

Exchange Rates: The US dollar saw losses against most major currencies during January, as the Fed Reserve (Fed) decided to keep interest rates unchanged in a recent meeting, in line with market expectations.

Stock Market: Improving sentiment linked to a recent rise in oil prices and a pick up in net purchases of SWAPs and buying by qualified foreign investors (QFIs) were the macro factors pushing up TASI 10 percent month-on-month in January.

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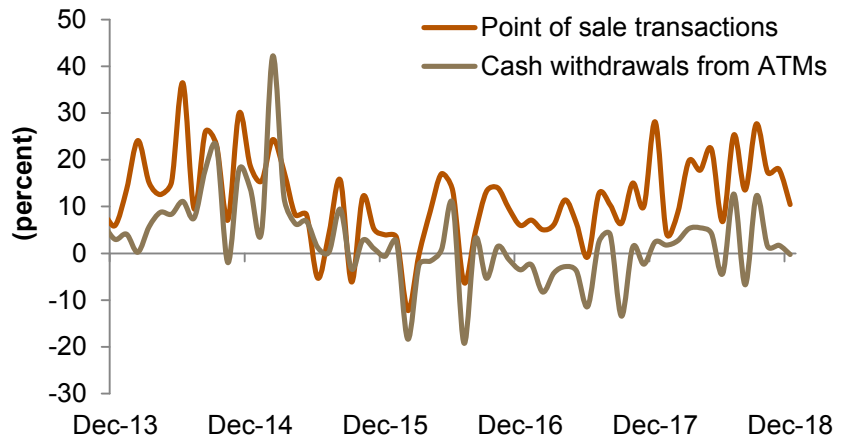


Real Economy

Data for December showed a slight cooling in economic activity. POS rose by 10 percent whilst cash withdrawals were flat, year-on-year. Moreover, non-oil PMI index was marginally down to 54.4 in December. Latest available data shows non-oil exports rose in November by 8.4 percent year-on-year.

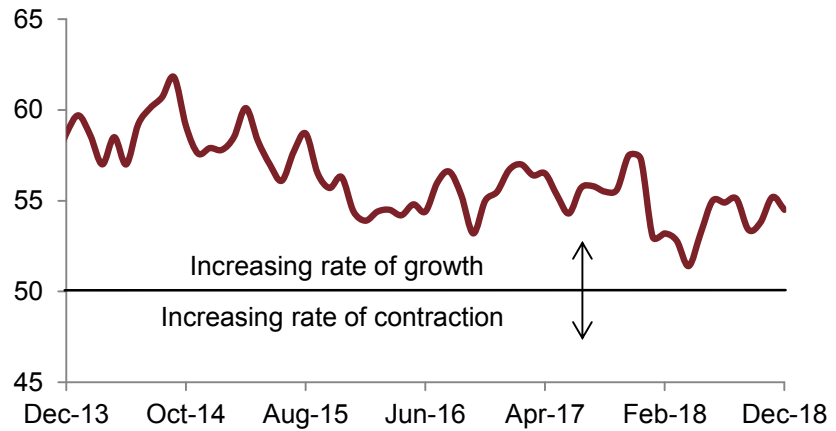
POS transactions rose by 10 percent whilst cash withdrawals were flat, year-on-year.

Indicators of Consumer Spending
(year-on-year change)



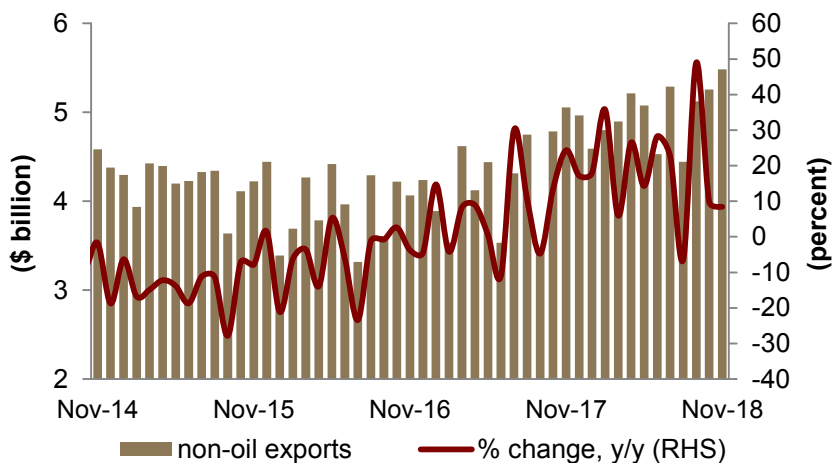
Non-oil PMI index was marginally down to 54.4 in December, as the full year of 2018 average stood at 53.8.

Non-oil Purchasing Manager Index



Non-oil exports rose in November by 8.4 percent year-on-year. Metals exports saw a significant rise by 27 percent in the year-to-November 2018, compared to 12 percent for the same period in 2017.

Non-Oil Exports



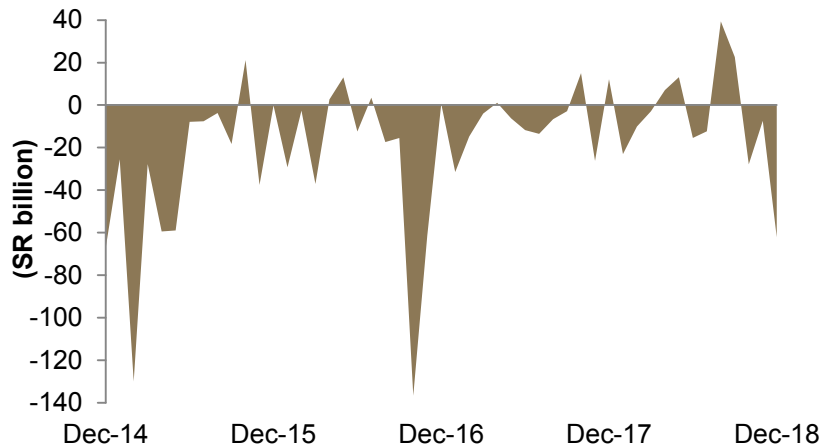


Government Finance

The net monthly change to government accounts with SAMA was down by SR62 billion month-on-month in December, affected by a decline in government reserves by SR72 billion during the month. At the same time, domestic banks net holdings of government debt rose by SR1.7 billion in December, showing the lowest monthly rise during the year.

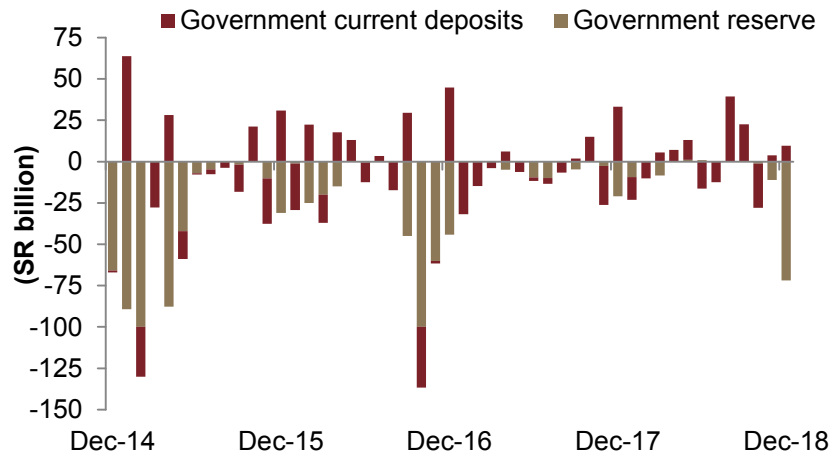
The net monthly change to government accounts with SAMA was down by SR62 billion month-on-month in December...

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



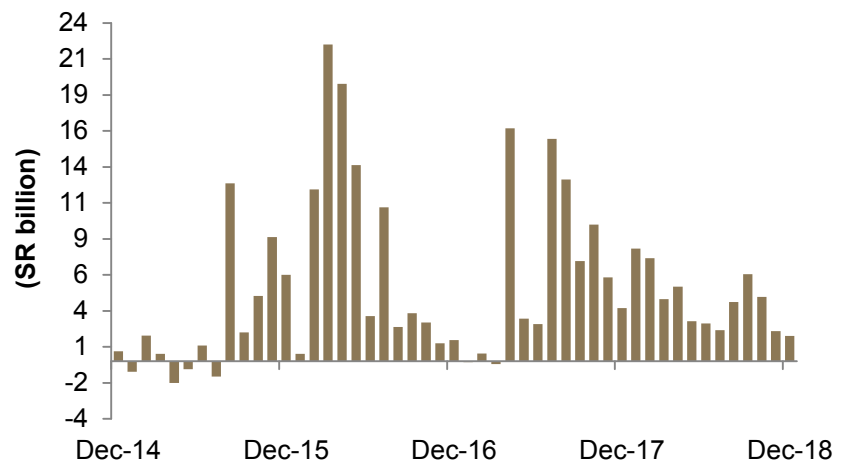
...affected by a decline in government reserves by SR72 billion during the month.

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



Domestic banks net holdings of government debt rose by SR1.7 billion in December, after the completion of a tap of sukuk issuance by the Ministry of Finance during the month.

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

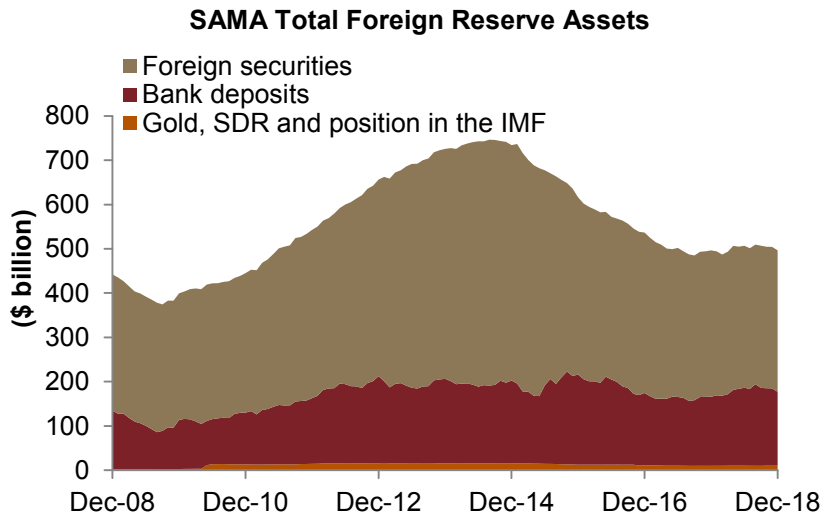




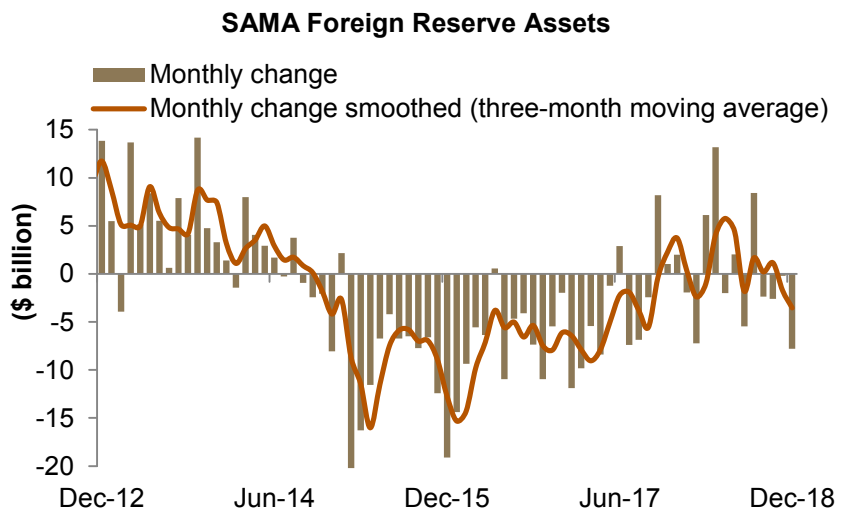
SAMA Foreign Reserve Assets

SAMA FX reserves declined by \$7.8 billion month-on-month to stand at \$496.6 billion in December. A breakdown of FX reserves shows a monthly decline in SAMA's bank deposits by \$7.7 billion during the month, whilst foreign securities remaining unchanged, month-on-month.

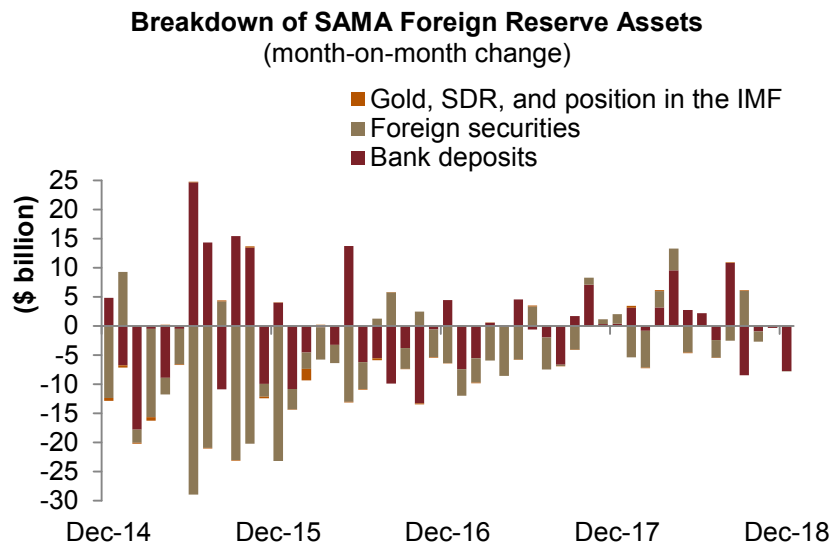
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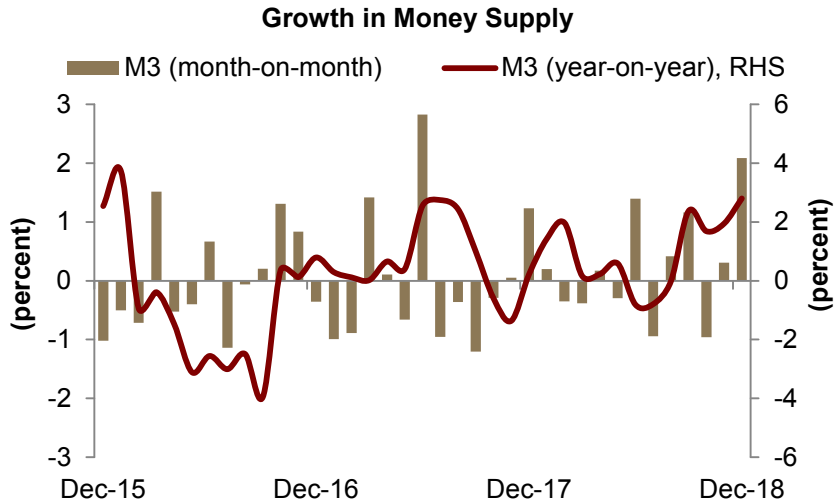




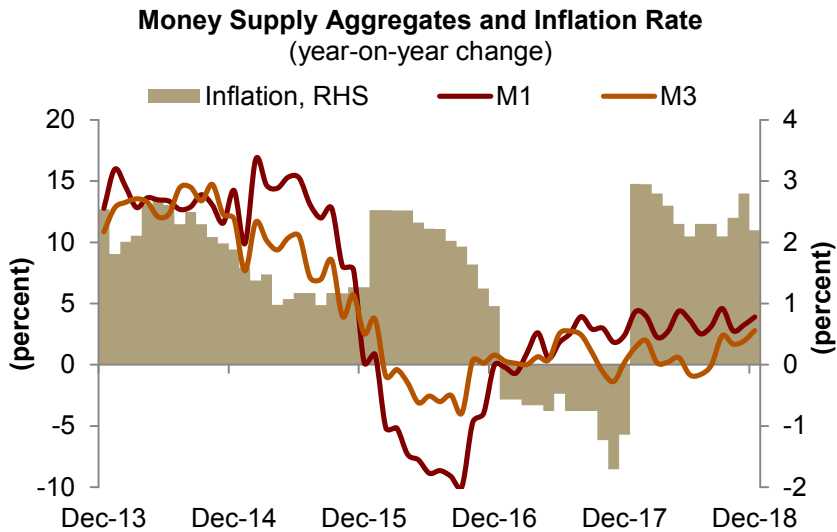
Money Supply

The broad measure of money supply (M3) rose by 3 percent in December, year-on-year, marking the highest annual rise since January 2016. On a monthly basis, M3 increased by 2 percent. Out of all the money supply aggregates (M1, M2, M3), M1 continues to show the highest rise in December, growing by 3.9 percent year-on-year, supported by a rise in currency outside banks.

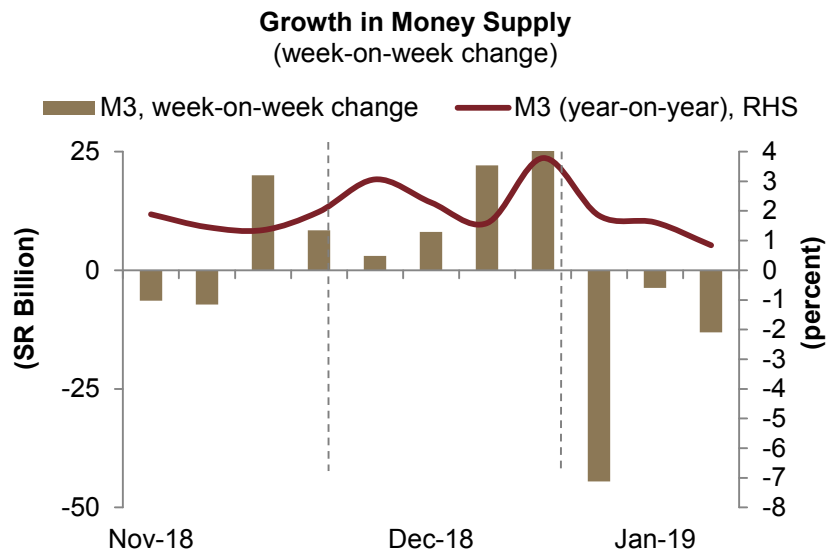
M3 rose by 3 percent in December, year-on-year, marking the highest annual rise since January 2016.



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Latest weekly M3 data shows a slowdown in money supply in January.

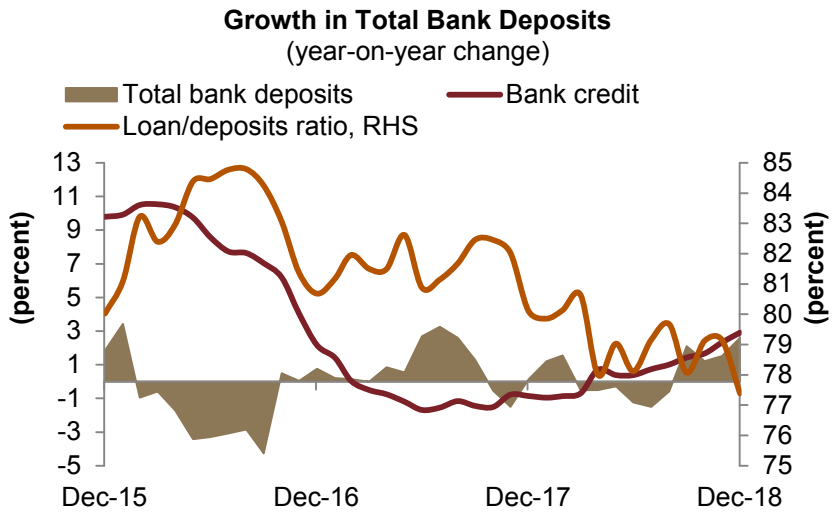




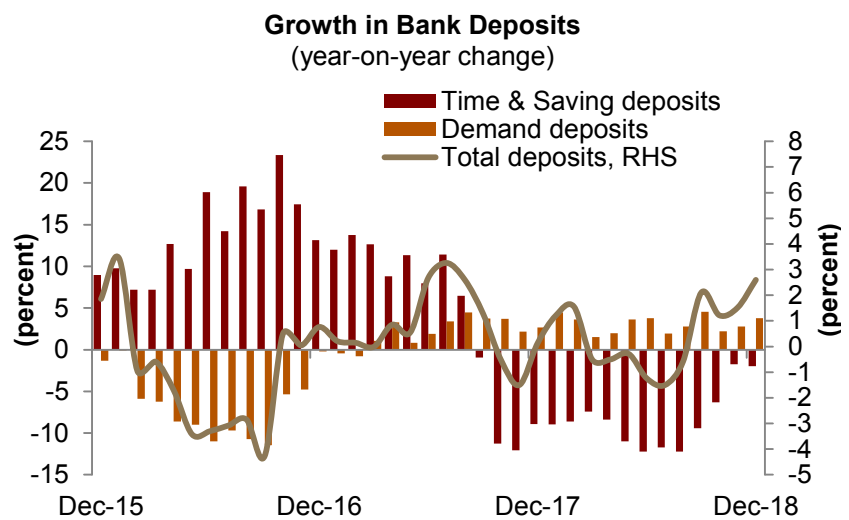
Bank Deposits

Bank deposits rose by 2.6 percent year-on-year in December, mainly due to demand deposits, which were up by 4 percent year-on-year. Private deposits saw a significant rise by 3.3 percent year-on-year, affected by a continuous rise in private time and saving deposits, which were up by 10 percent year-on-year.

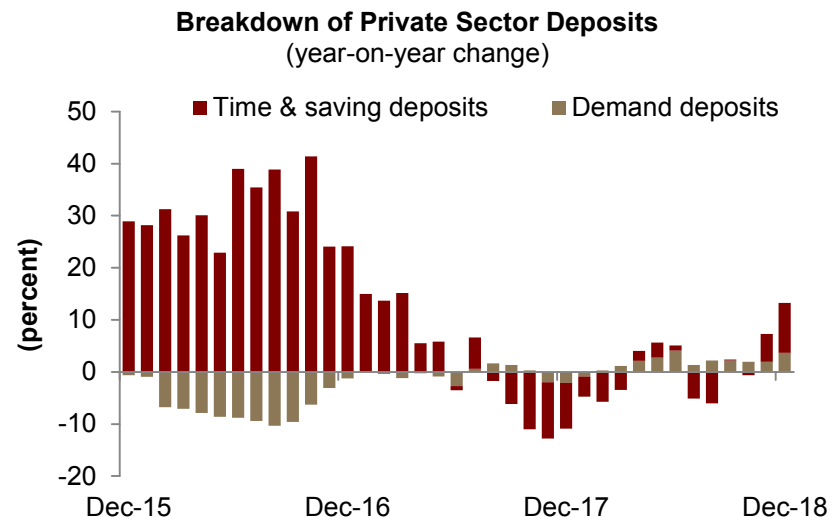
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Private deposits saw a significant rise by 3.3 percent year-on-year, affected by a continuous rise in private time and saving deposits, which is likely affected by the recent SAMA rate rise during the month, following the Federal Reserve's latest rate decision.



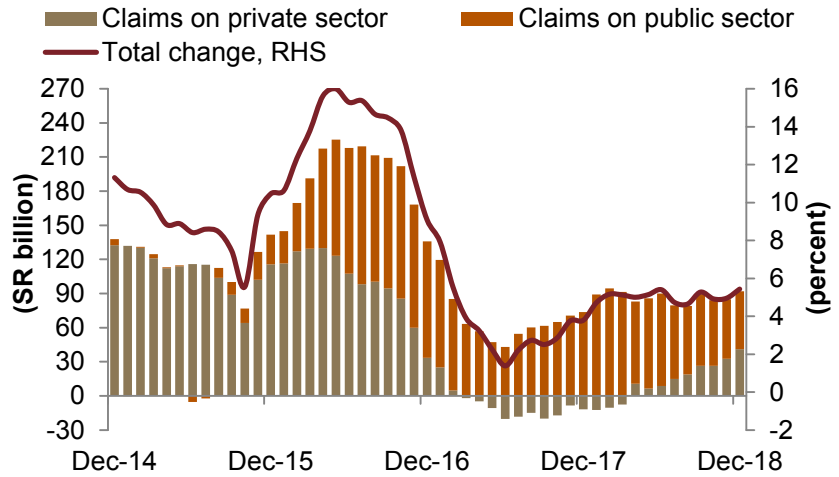


Bank Credit

Total bank claims rose by 5.4 percent in December, year-on-year. Claims on the public sector rose by 17 percent year-on-year. Meanwhile, credit to the private sector rose by 3 percent year-on-year, raising the full year of 2018 average up to 0.8 percent, compared to a decline by 0.8 percent in 2017.

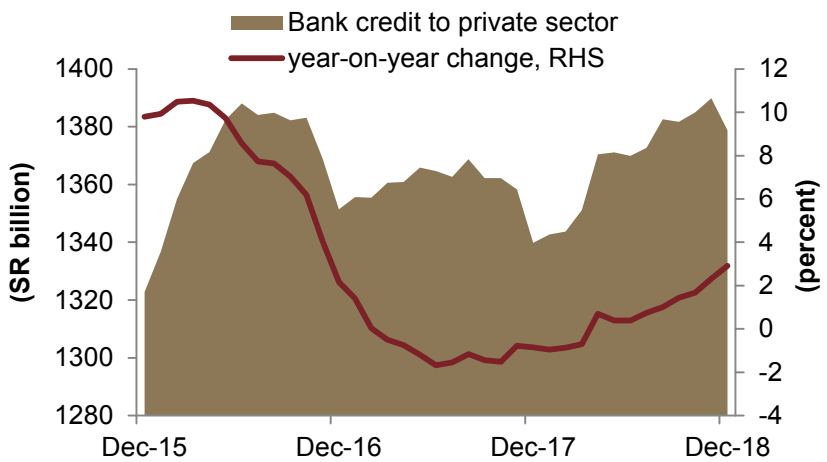
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Breakdown of Bank Claims



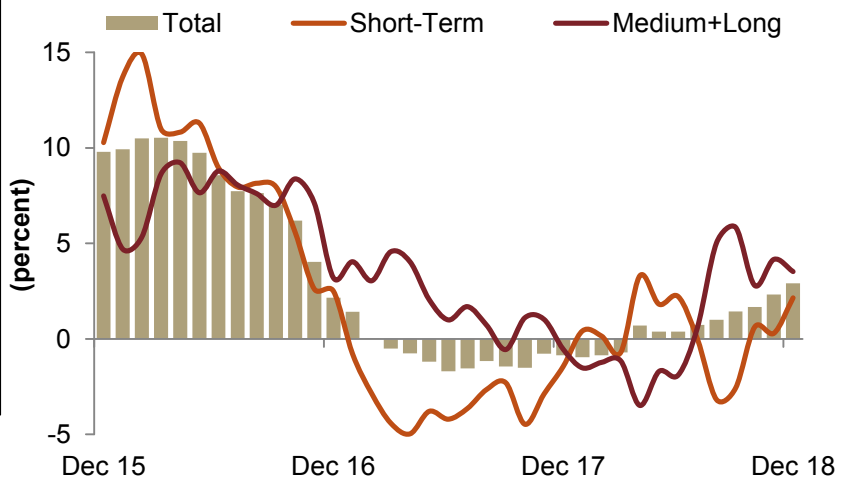
Credit to the private sector rose by 3 percent year-on-year.

Bank Credit to the Private Sector



By credit maturity, long-term (and medium) credit rose by 3.5 percent year-on-year, whilst short term credit was up by 2.2 percent year-on-year in December.

Bank Credit by Maturity (year-on-year change)

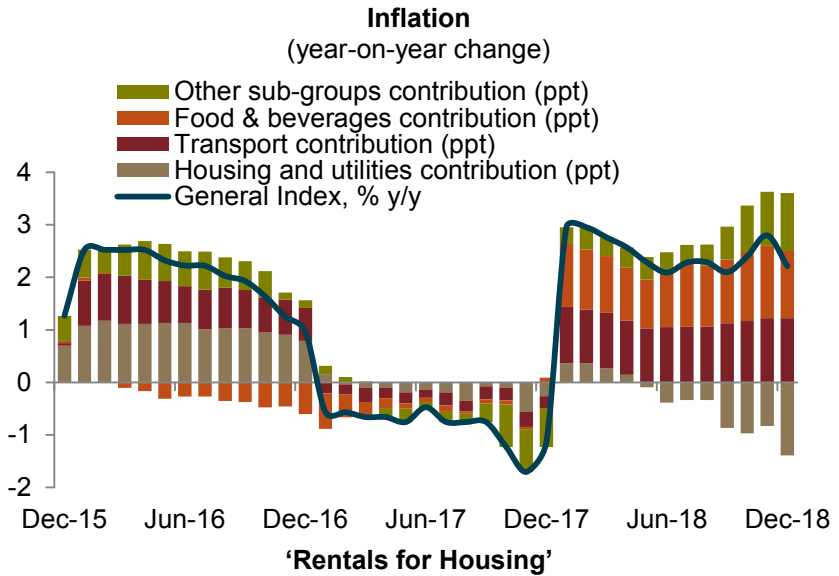




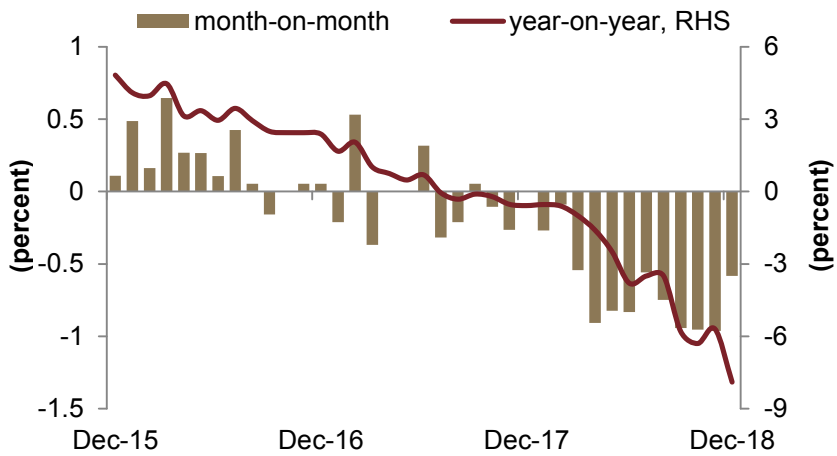
Inflation

Prices rose in December by 2.2 percent year-on-year, but declined by 0.3 percent month-on-month. The inflation rate was affected by the notable decline in “housing and utilities” prices by 5.1 percent in December, year-on-year, as rentals for housing continued to decrease, falling by 8 percent year-on-year during the month. The full year inflation rate for 2018 stood at 2.5 percent, slightly below our forecast of 2.6 percent.

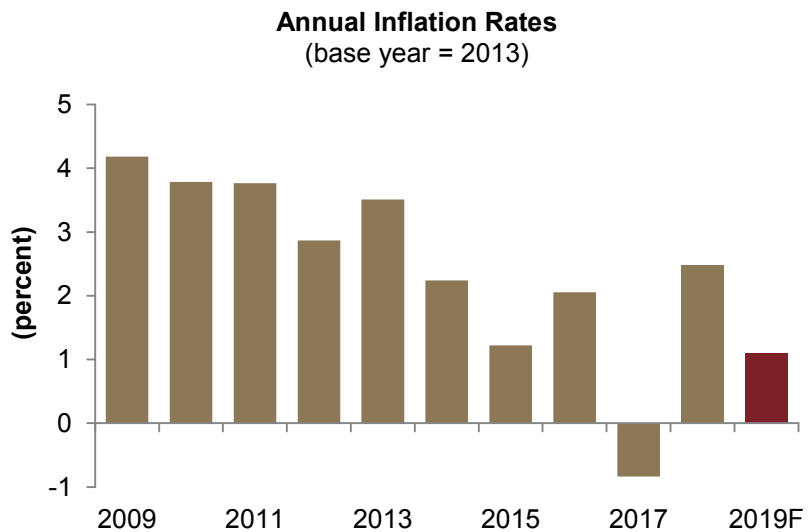
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The full year inflation rate for 2018 stood at 2.5 percent, slightly below our forecast of 2.6 percent. In 2019, we expect inflation to average around 1.1 percent, affected by a slight increase in prices coming from a reduction in the threshold of VAT.





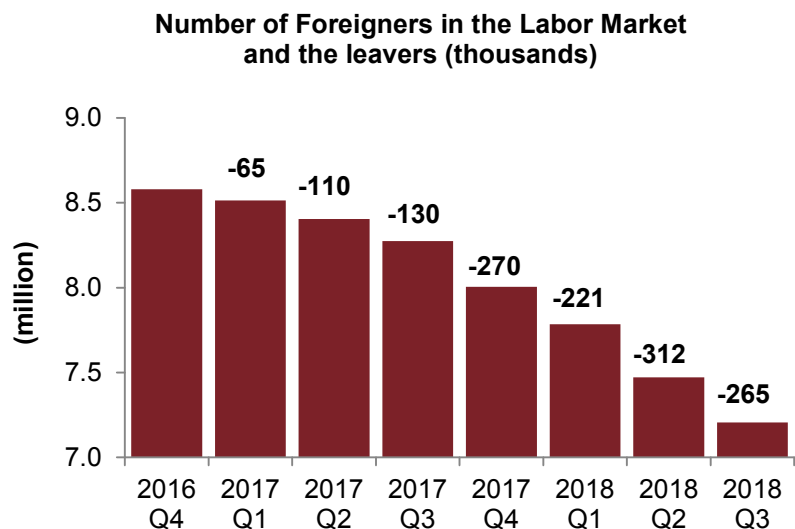
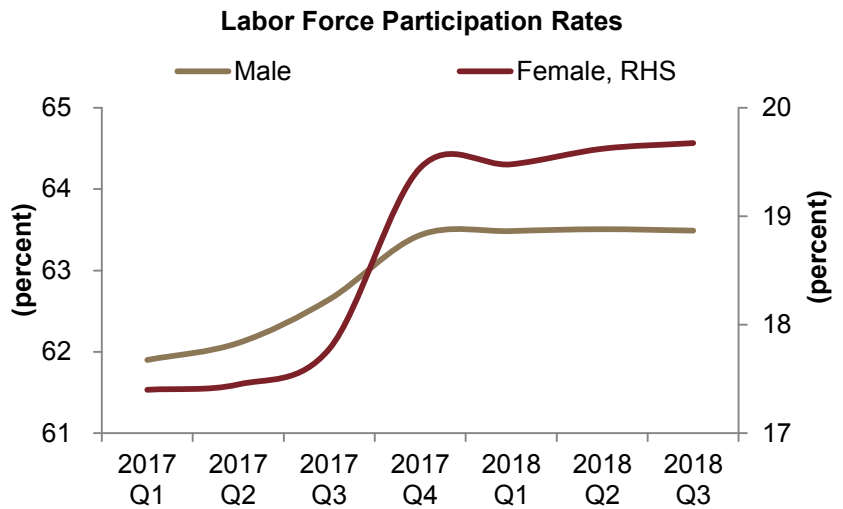
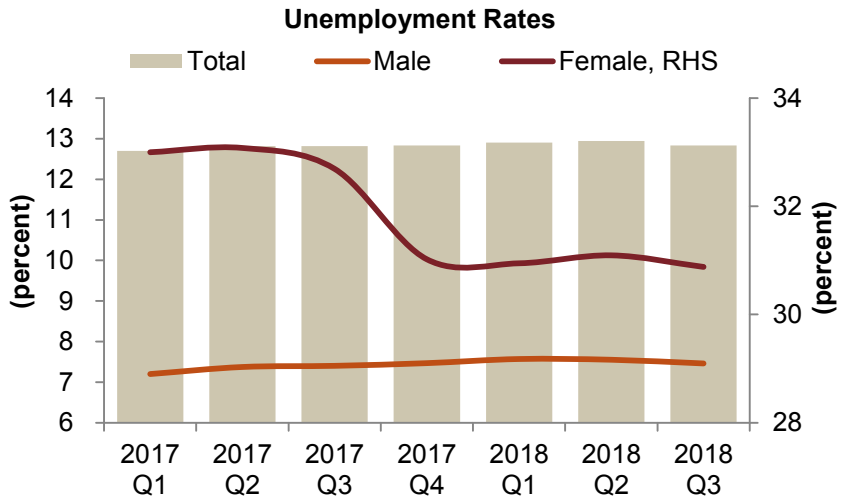
Labor Market

The Saudi unemployment rate was slightly down in Q3 2018, at 12.8 percent. Both male and female unemployment rates declined, to 7.5 and 30.9 percent respectively. In addition, female labor force participation rate continued to rise, standing at 19.7 percent in Q3 2018, up from 17.8 percent a year ago. Meanwhile, the number of foreigners in the labor market continued to shrink, with 265 thousand leaving the market during the quarter.

The Saudi unemployment rate was slightly down in Q3 2018, at 12.8 percent, down from 12.9 in the first two quarter of 2018.

Female labor force participation rate continued to rise, standing at 19.7 percent in Q3 2018, up from 17.8 percent a year ago. Meanwhile, male labor force participation was unchanged at 63.5 during the three quarters of 2018.

The number of foreigners in the labor market continued to shrink, with 265 thousand leaving the market during Q3 2018, making the total of foreigners who have left the market since the beginning of 2017 at around 1.4 million workers.

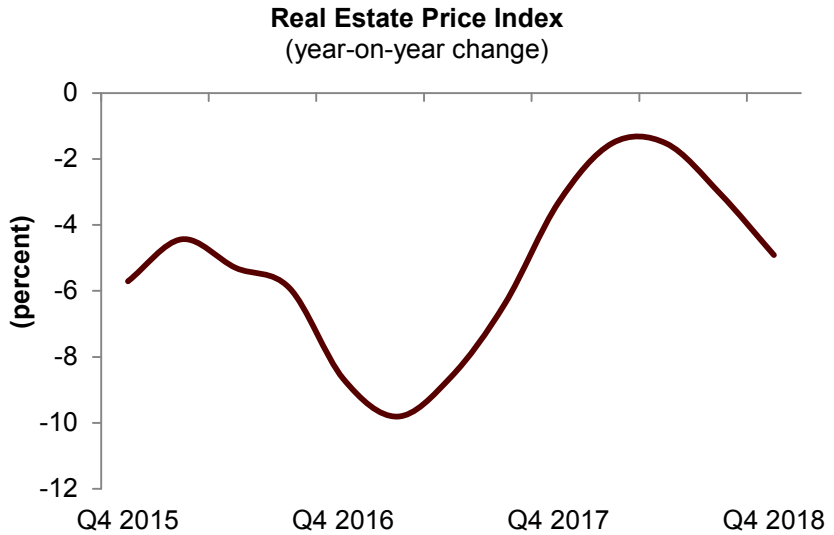




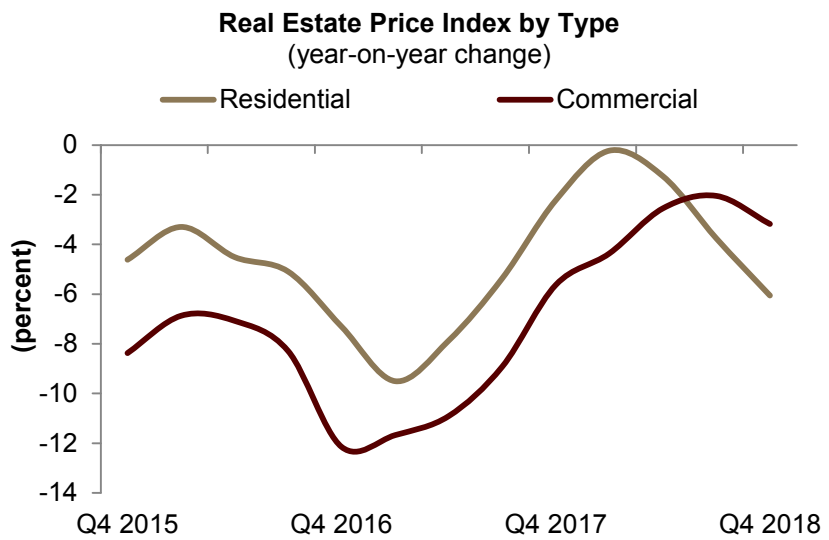
Real Estate

Real estate prices declined by 5 percent in Q4 2018, year-on-year, marking the largest drop since Q3 2017. Residential real estate prices saw the largest decline during the year, by 6 percent year-on-year, and commercial real estate prices were down by 3.2 percent year-on-year.

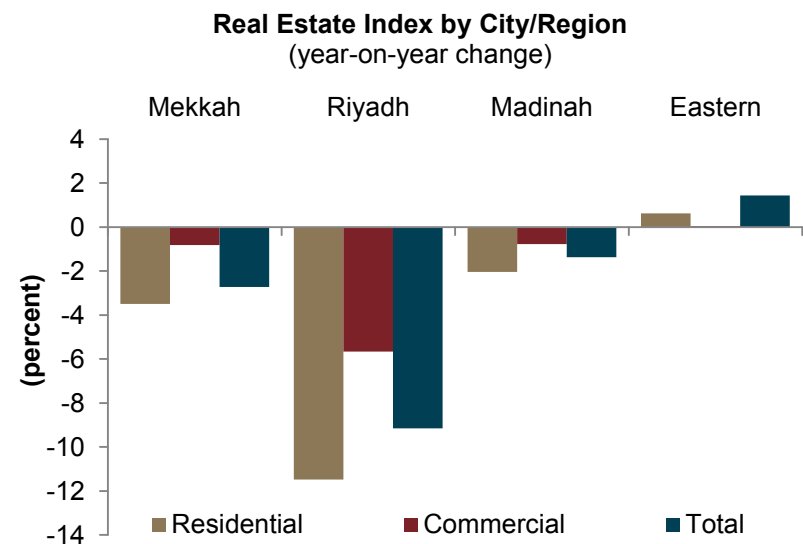
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Residential real estate prices saw the largest decline during the year, by 6 percent year-on-year, and commercial real estate prices were down by 3.2 percent year-on-year.



Riyadh's residential and commercial real estate prices declined the most during Q4, whilst the Eastern Province witnessed a marginal rise in residential real estate prices, by 1.4 percent year-on-year.

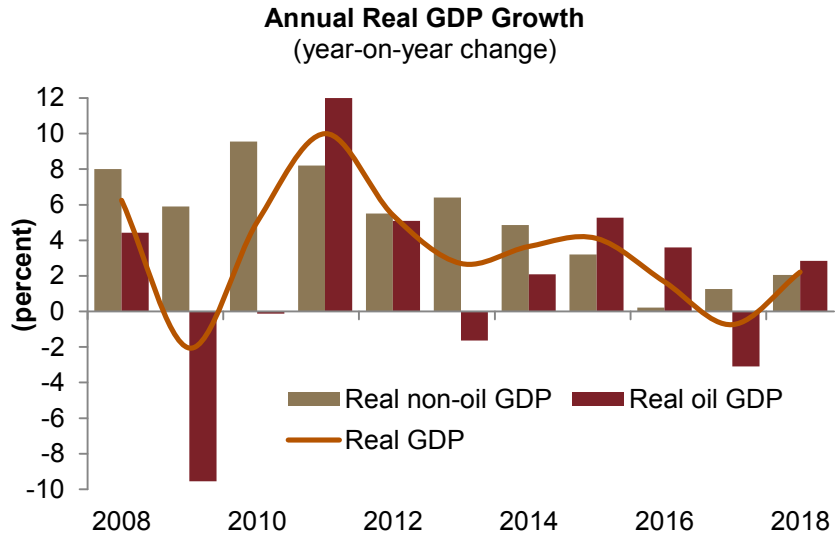




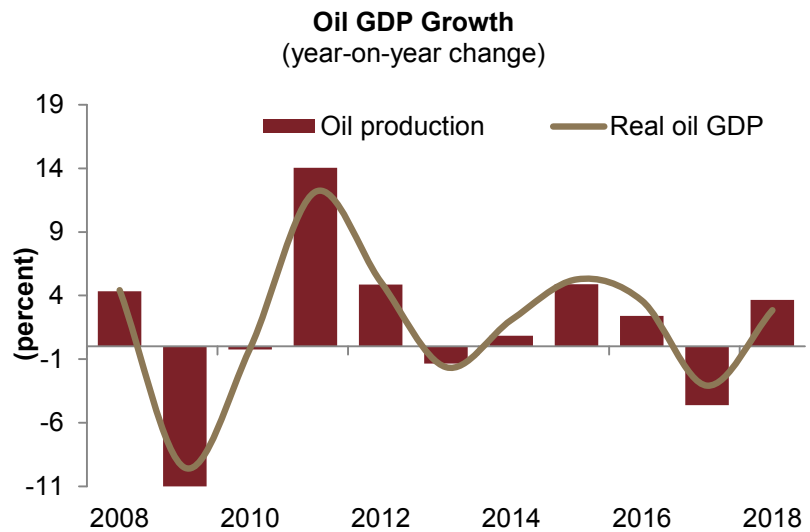
GDP 2018

Provisional data for 2018, released by GaStat, showed Saudi economy expanded by 2.2 percent year-on-year in 2018, with growth being helped by both the oil sector (up 2.8 percent), and non-oil GDP (up 2.1 percent). Within the non-oil GDP, non-oil private sector contributed a larger slice of growth (at 60 percent) when compared to the public sector (40 percent).

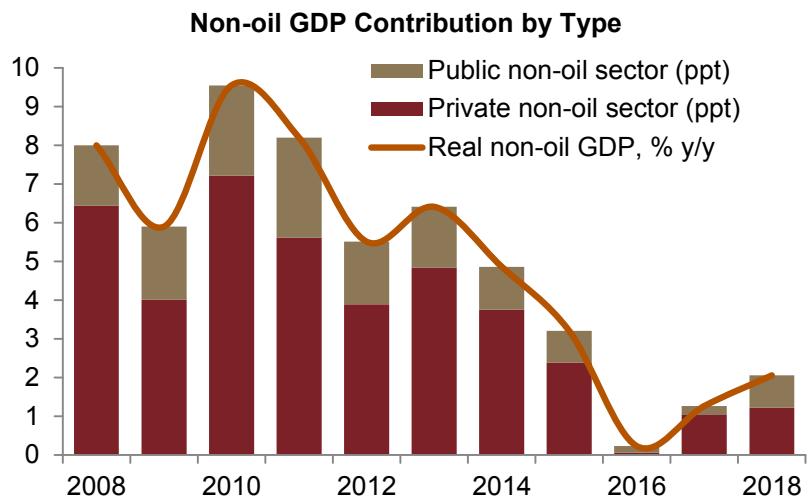
The Saudi economy expanded by 2.2 percent year-on-year in 2018. Meanwhile, the GaStat data also showed an upward revision in 2017 GDP, to -0.7 percent versus -0.9 percent previously, primarily as a result of a revision in the finance sector.



2018's growth was boosted by oil sector (up 2.8 percent), primarily as a result of Saudi crude oil production averaging 10.3 mbpd in 2018, up from 10 mbpd in 2017...



...whilst, non-oil private sector contributed a larger slice of non-oil growth in 2018, at 60 percent compared to the public sector's 40 percent.





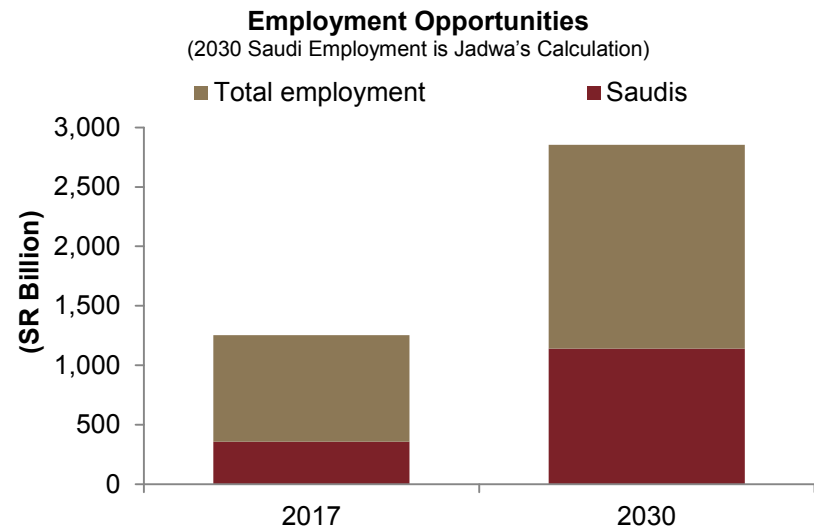
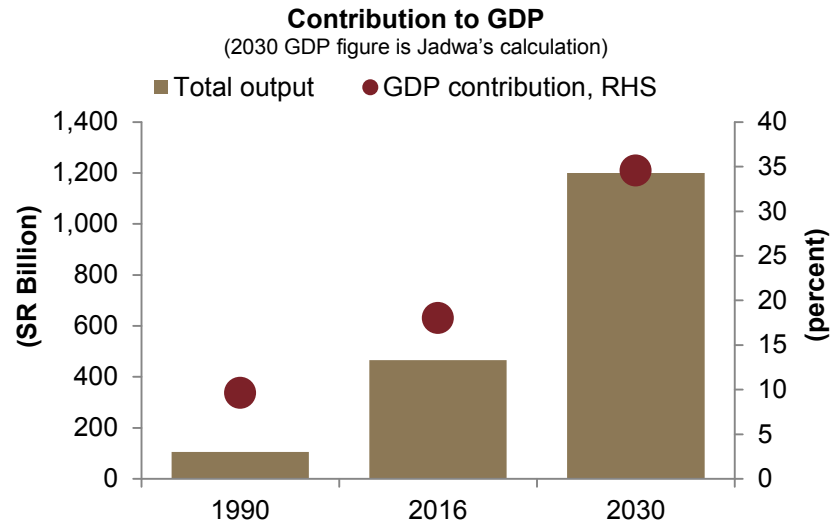
The National Industrial Development and Logistics Program (NIDL)

The Ministry of Energy launched one of the largest Vision Realization Programs so far, NIDL, which seeks to attract private sector investments worth \$427 billion into the Kingdom by 2030. The program covers four main sectors: manufacturing, mining, energy and logistics, and includes more than 300 initiatives in collaboration between 34 government agencies.

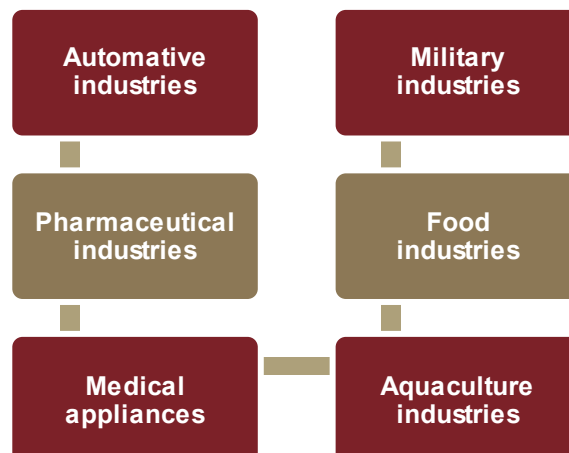
The NIDL aims to contribute SR1.2 trillion to GDP by 2030, raising the share of the four sectors together from 17 percent in 2016 to around 33 percent in 2030. The program acknowledges the notable growth in these sectors back from 1990, when the contribution was at 10 percent of GDP.

The NIDL, as the other Vision programs, aims primarily to create jobs. The program aims to create 1.6 million jobs in the local market by 2030.

Within manufacturing, NIDL's focus is mainly towards a number of industries that provide comparative advantages and create jobs for locals.



Main Manufacturing Industries

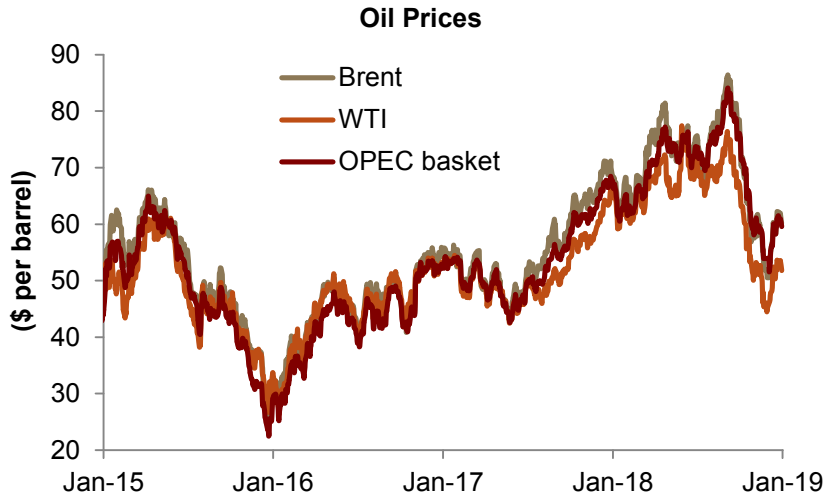




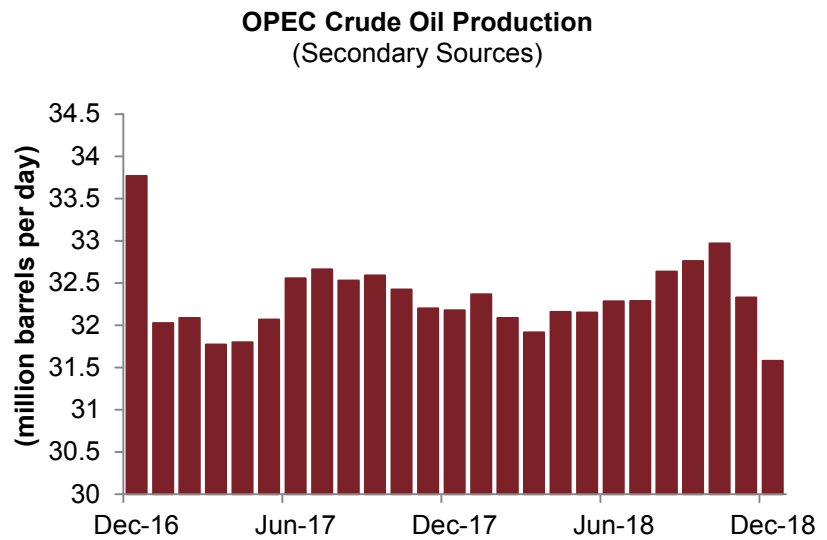
Oil - Global

Lower OPEC output and hopes of some progress over the US-China trade dispute helped push up Brent prices 4 percent and WTI prices 3 percent month-on-month in January, with sizable declines in OPEC output seen in December. Further declines are expected as OPEC and partners (OPEC+) recently agreed to reduce 1.2 mbpd in output during the first half of this year.

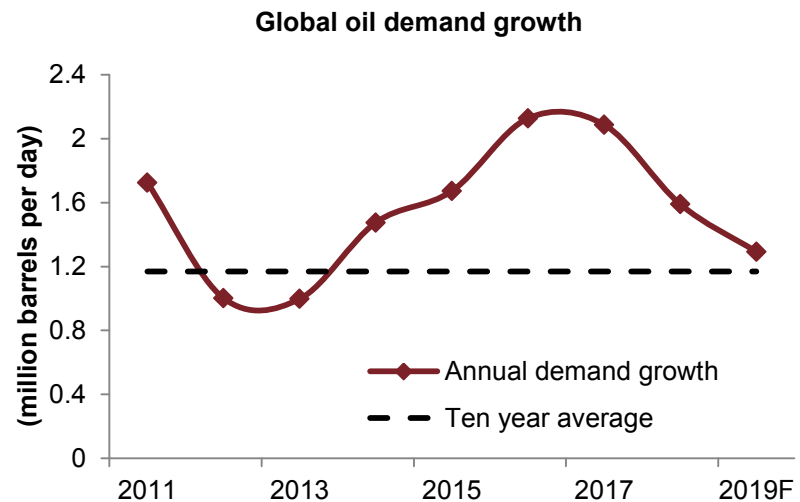
Lower OPEC output and hopes of some progress over the US-China trade dispute helped push up Brent prices 4 percent and WTI prices 3 percent month-on-month in January...



...with latest available data showing OPEC output in December dropping by 750 tbpd month-on-month.



US and China are currently engaged in trade talks over tariffs, and any agreement between the two countries could provide an upside to oil demand, and indeed oil prices, going forward.



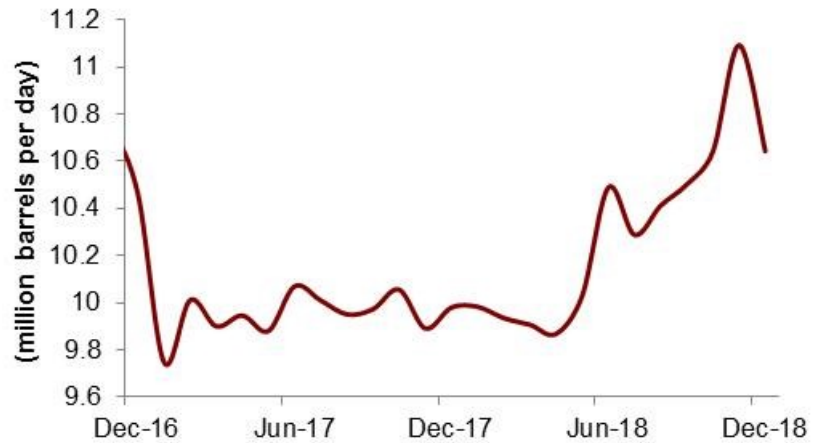


Oil - Regional

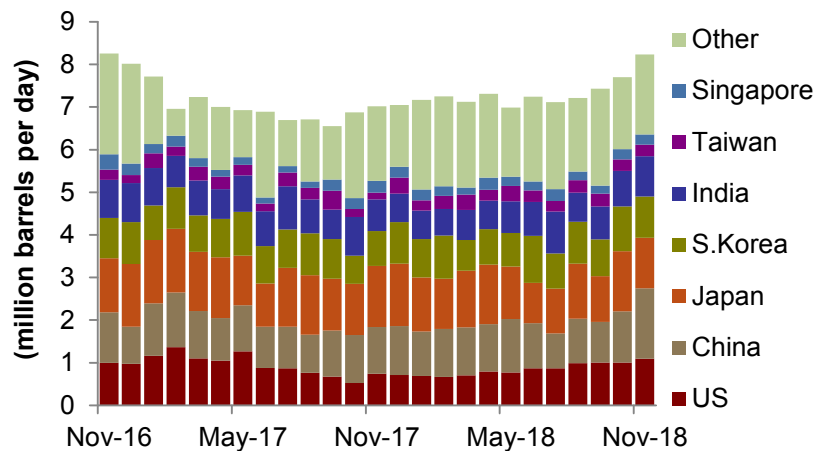
Saudi crude oil production declined by 450 ttpd, or 4 percent, month-on-month in December. This decline came prior to the commencement of an OPEC+ agreement to reduce 1.2 mbpd in output during the first half of this year. Meanwhile, latest survey data shows that Saudi crude oil exports dropped to around 7 mbpd in December and January, compared to 8.2 mbpd in November.

Saudi crude oil production declined to 10.6 mbpd in December, with the Kingdom's output expected to decline to 10.3 mbpd under the OPEC+ agreement during the first half of this year.

Saudi Crude Oil Production
(Direct Communication)

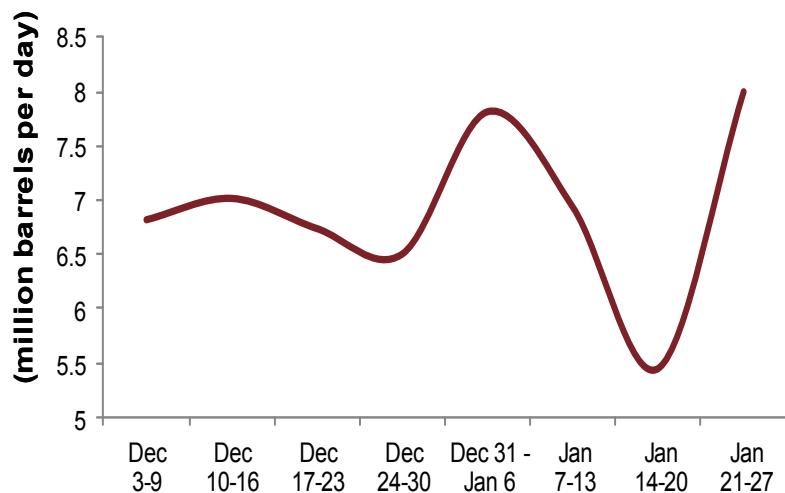


Saudi Crude Oil Exports
(November 2018)



Meanwhile, latest available official data show that Saudi crude oil exports rose to highs of 8.2 mbpd in November...

Expected Saudi Crude Oil Exports
(December 2018 & January 2019)



....although survey data shows that exports have come down to an average of around 7 mbpd in December and January.



Exchange Rates

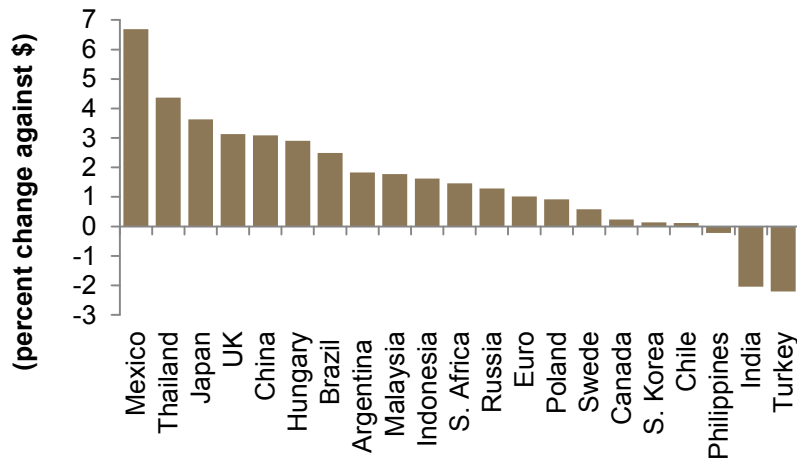
The US dollar saw losses against most major currencies during January, as the Fed Reserve (Fed) kept interest rates unchanged in a recent meeting, in line with market expectations. In fact, latest survey data shows that investors do not expect any further hikes by the Fed in 2019. Meanwhile, a rise in the UK pound was partially attributable to optimism related to a deal being reached over Brexit.

The dollar show losses against most major currencies during the month of January as the Fed decided to keep interest rates unchanged, in line with market expectations.

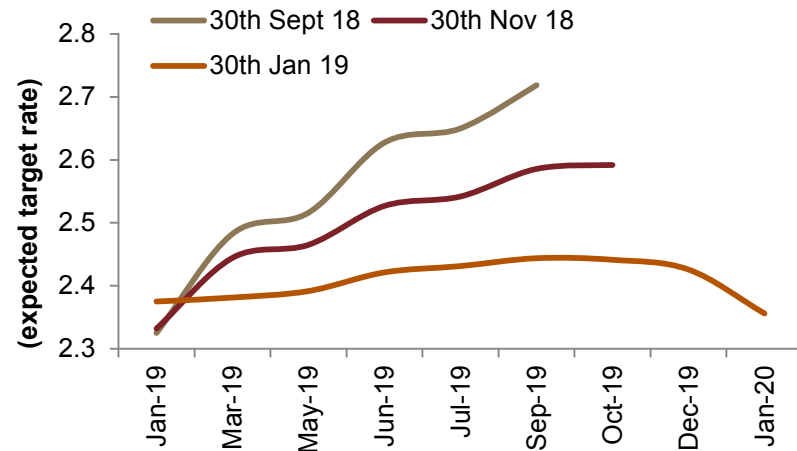
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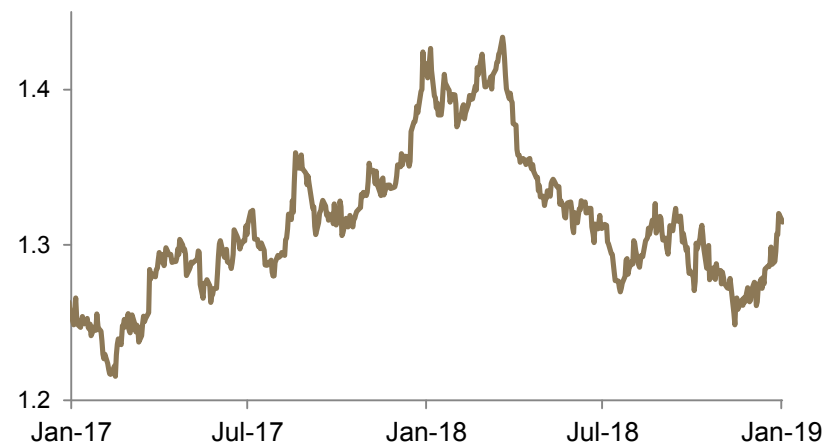
Monthly Gain/Loss Against US Dollar
(January 2019)



US Fed Interest Rate Probability



GBP/US Dollar

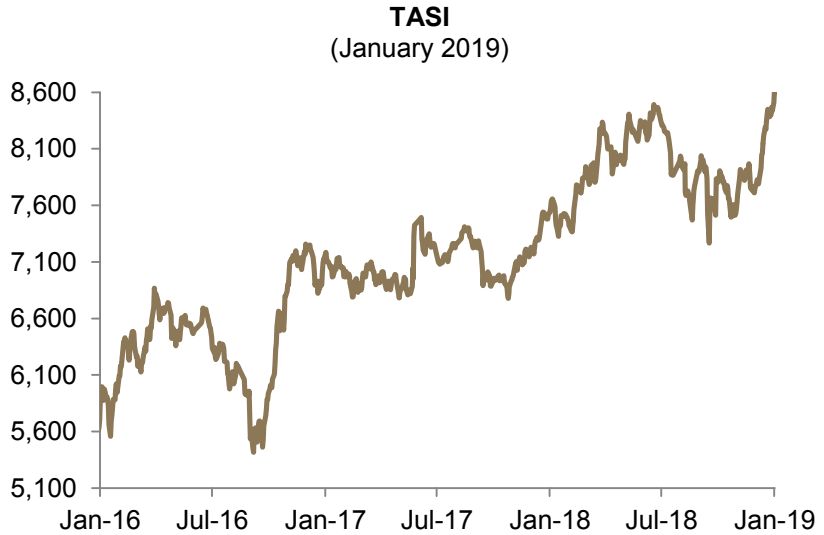




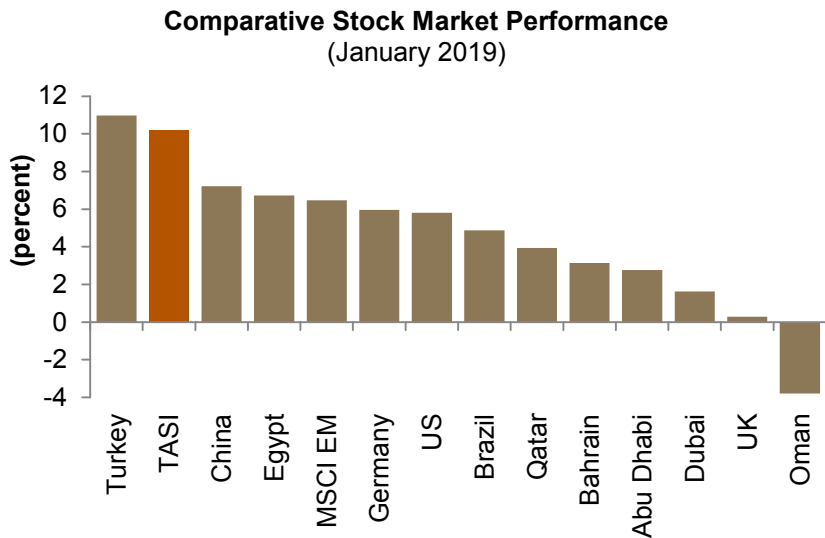
Stock Market

Improving sentiment linked to a recent rise in oil prices and a pick up in net purchases of SWAPs and buying by qualified foreign investors (QFIs) were the macro factors pushing up TASI 10 percent month-on-month in January. Looking ahead, we expect continued net purchases by foreigners to drive TASI performance even higher in the next few months.

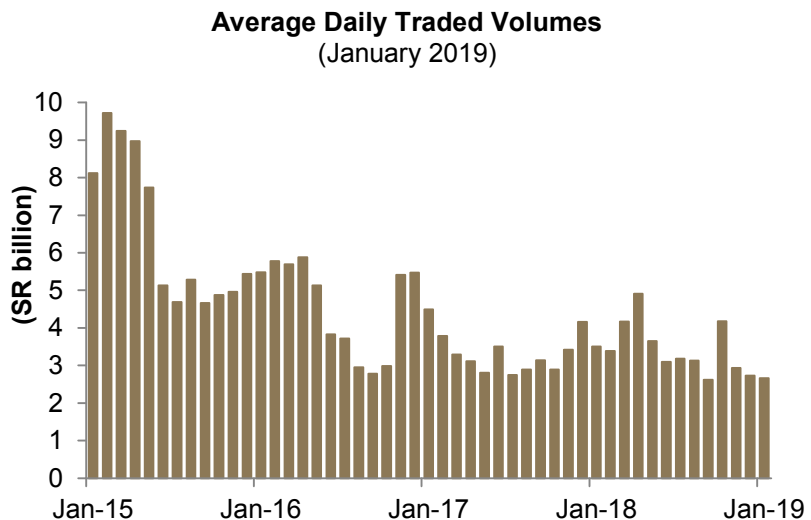
TASI index hit multi-year highs in January...



...making it one of the best performing amongst global and regional indices.



Meanwhile, average traded volumes trended downwards during January.





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