



Summary

Real economy: Key consumption indicator data was up in May. PMI fell to its lowest point in 2015 but continued to point to a healthy expansion in the non-oil private sector.

Government finance: The government maintained support for development with an elevated level of spending in May, resulting in net change to government accounts remaining negative.

Banking indicators: bank credit to the private sector recorded a monthly acceleration following a slowdown in each of the previous four months.

Bank deposits: In May, total bank deposits increased by SR20.1 billion, month-on-month. Both demand deposits and time and savings deposits rose.

Inflation: In May, Saudi CPI rose to 2.1 percent year-on-year, its first rise in nine months, but was mainly due to a lower base effect.

Trade: In April, non-oil exports increased, month-on-month, but remained 16 percent lower compared to last year. Imports fell by SR2 billion, but volumes imported increased slightly, month-on-month.

Oil –Global: Brent was down 5 percent, month-on-month, as the global market continued to be oversupplied. WTI, however, was flat month-on-month as demand for crude and gasoline picked up.

Oil –Regional: Saudi crude production remained above 10 mbpd in May as a pick-up in domestic demand and international demand led to record output.

Exchange rates: The dollar continued to increase in value against most major currencies in June.

Stock market: The TASI fell, month-on-month, in June due to the beginning of the Islamic holy month of Ramadan and weaker sentiments related to a possible Greece default.

Volumes: Subdued trading during the start of Ramadan led to traded volumes dropping by 19 percent, month-on-month, in June.

Valuations: Lower trading activity and a sell-off in shares during the month of Ramadan has seen price-to-earnings (PE) in the TASI drop towards its two year average.

Sectoral performance: Lower investor confidence meant sectors that usually maintain positive performance in Ramadan were down.

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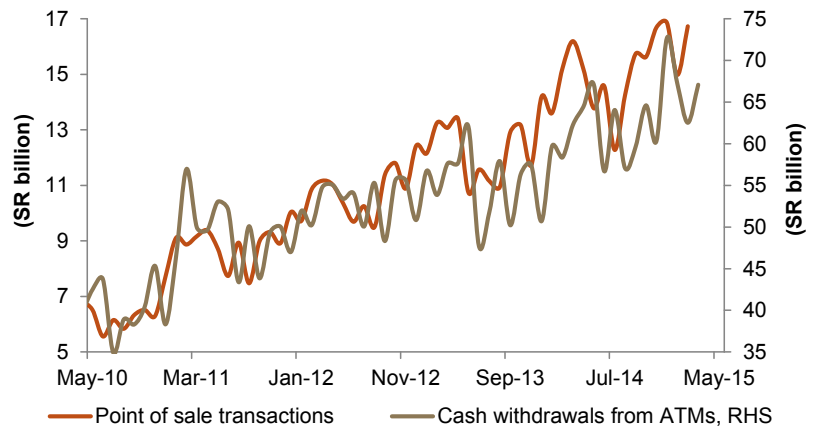


Real Economy

Key consumption indicator data was up in May, month-on-month, as a seasonal uptick ahead of Ramadan pushed up consumer spending. PMI fell to its lowest point in 2015 but continued to point to a healthy expansion in the non-oil private sector. Cement production and sales increased in May.

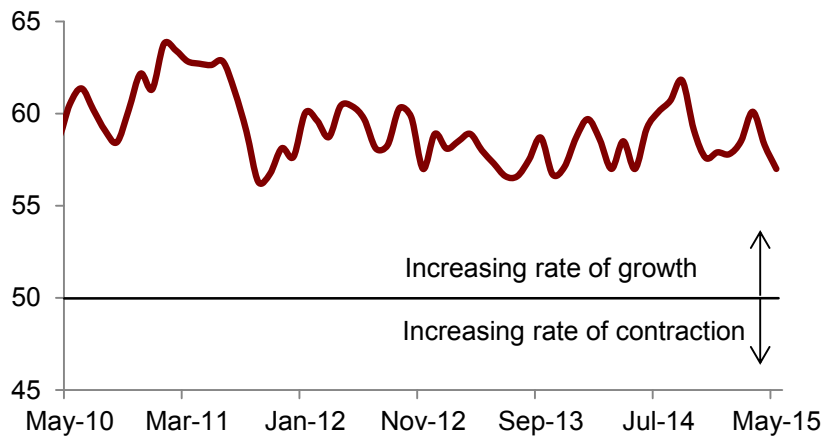
ATM withdrawals and point of sale transactions increased by 7.8 percent, and 10 percent, year-on-year, respectively.

Indicators of consumer spending



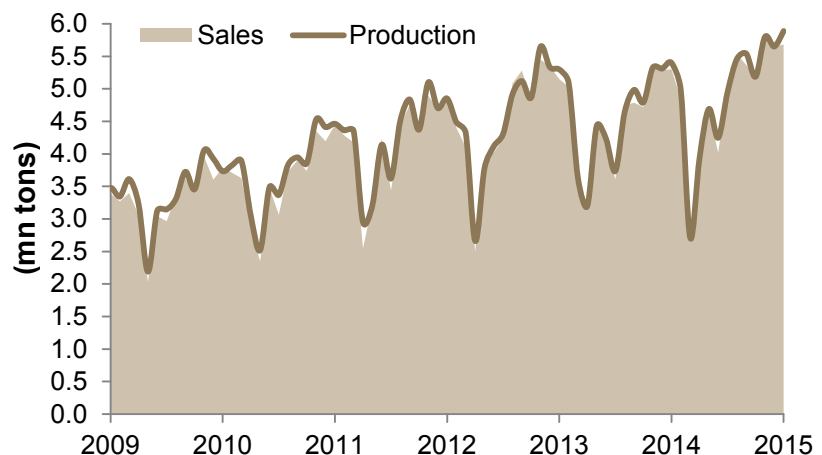
PMI fell to 57, its lowest level in 2015, owing to slower seasonal activity ahead of Ramadan.

HSBC/Markit Purchasing Managers Index (PMI)



Cement production and sales grew in May by 9 percent, and 7.1 percent year-on-year respectively, but are likely to fall in coming months due to slower seasonal activity in Ramadan.

Cement production and sales



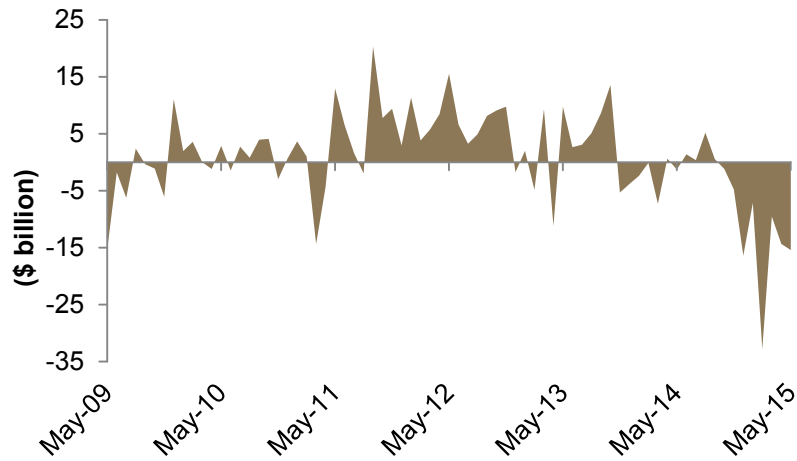


Government Finance

The government maintained support for development with an elevated level of spending in May, resulting in net change to government accounts remaining negative. Month-on-month falls in foreign exchange reserves continued to shrink, boosted in part by the partial recovery to oil prices and revenues.

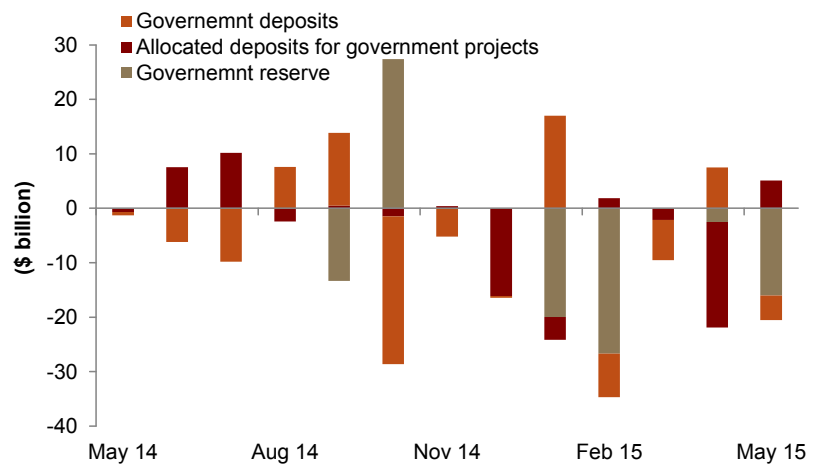
Government accounts remained negative at -\$15.4 billion in May...

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



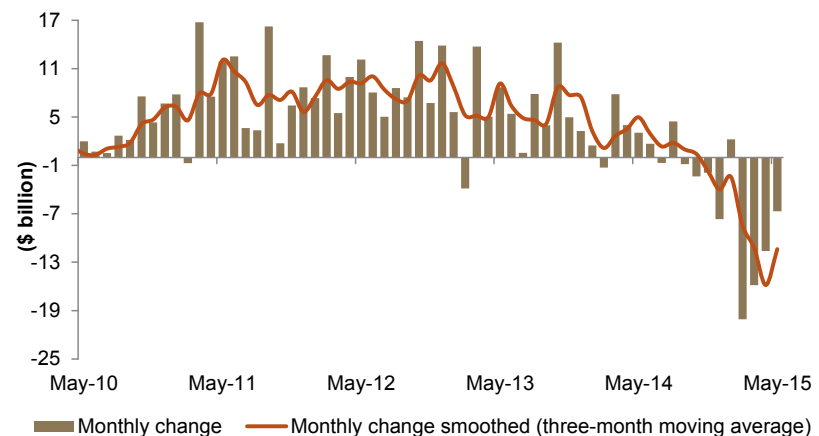
...this came on the back of a net withdrawal from the government deposits and reserve accounts, totaling \$20.5 billion in May.

Breakdown of government accounts
(month-on-month change)



The monthly fall in foreign exchange reserves continued to shrink despite elevated spending by the government.

Change in foreign exchange reserve assets

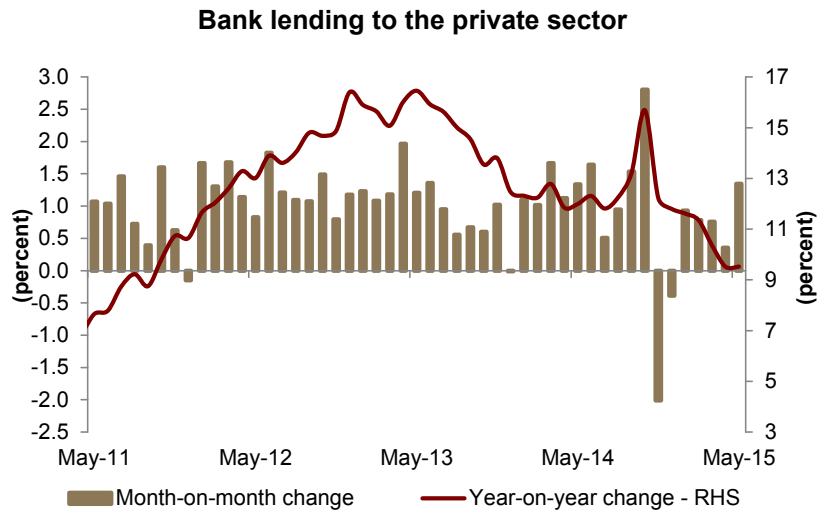




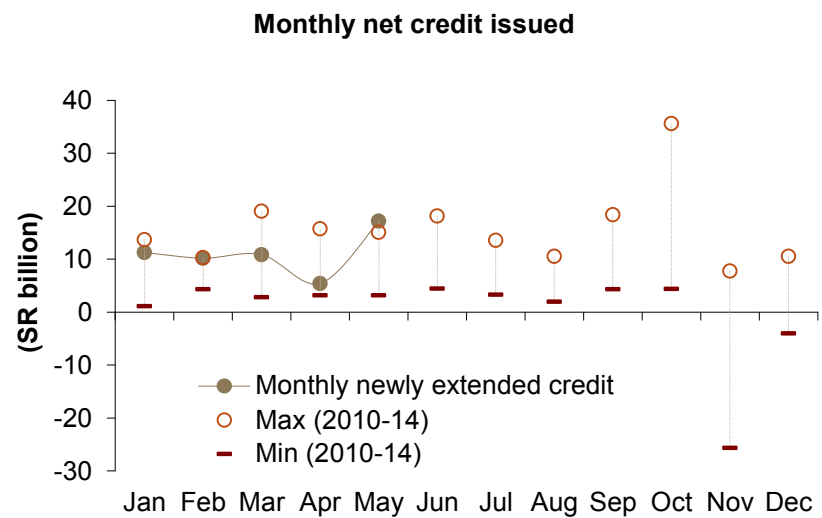
Banking indicators

In May, bank credit to the private sector recorded a monthly acceleration following a slowdown in each of the previous four months. Both net credit issued and bank profits broke their five year maximum levels for the month of May, reaching SR17.2 billion and SR3.8 billion respectively.

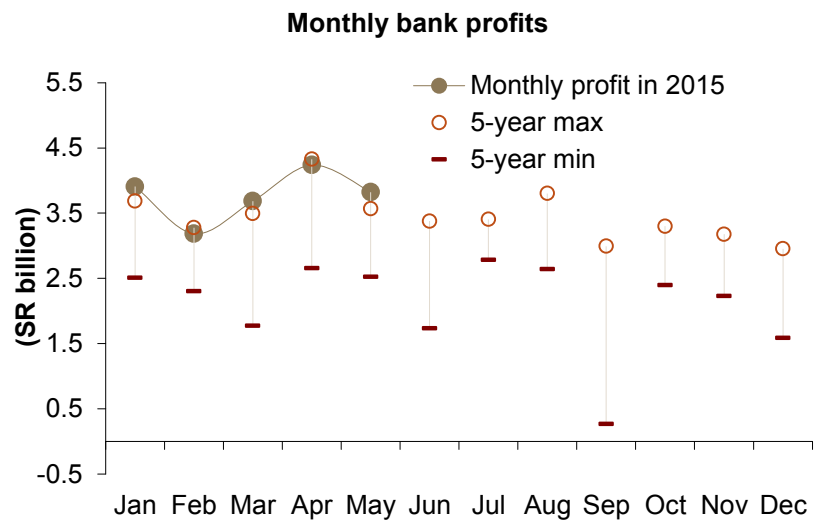
Bank credit to the private sector accelerated to 1.3 percent, month-on-month.



Newly issued credit reached a record level at SR17.2 billion compared to the five year maximum for the month of May.



Monthly profits also reached a five year high for the month of May, increasing by SR3.8 billion.



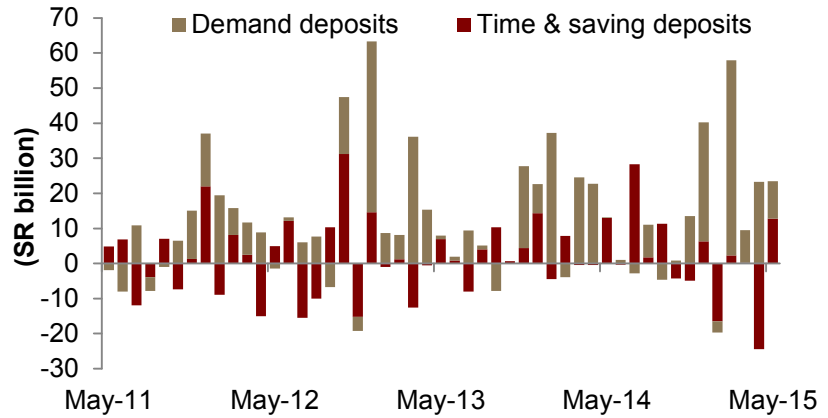


Bank deposits

In May, total bank deposits increased by SR20.1 billion, month-on-month. Both demand deposits and time and savings deposits rose. The growth in total deposits also spanned both the government and private sectors. Healthy growth in both credit and deposits caused the loan-to-deposit ratio to rise marginally in May.

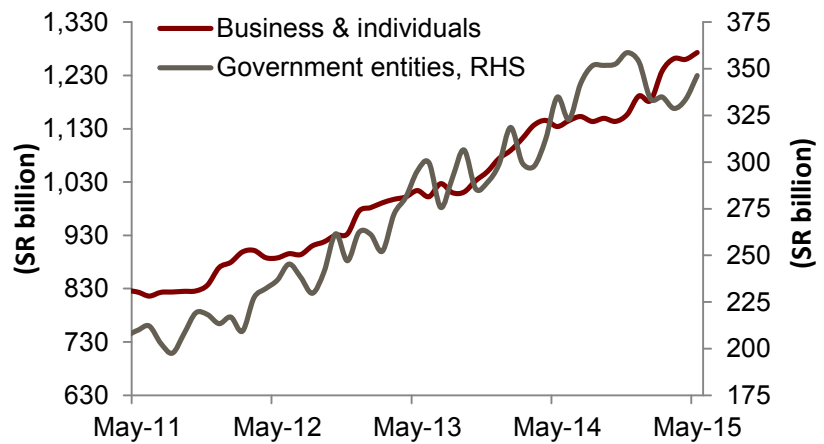
Demand deposits rose by SR10.7 billion month-on-month, while time and savings deposits recorded a SR12.8 billion increase, the highest in ten months.

Demand and time and savings deposits



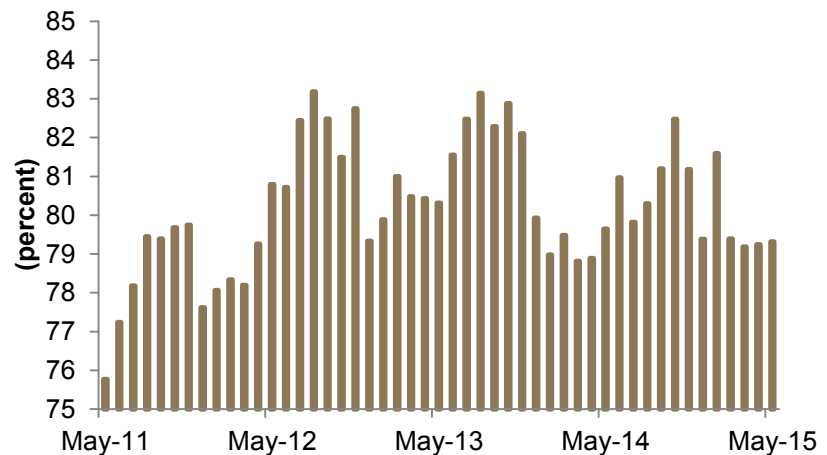
The growth in deposits spanned both the government and private sectors.

Government and private sector deposits



The healthy growth in both credit and deposits resulted in marginal increase in the loan-to-deposit ratio to 79.3 in May, up from 79.2 in the previous month.

Loan-to-deposit ratio

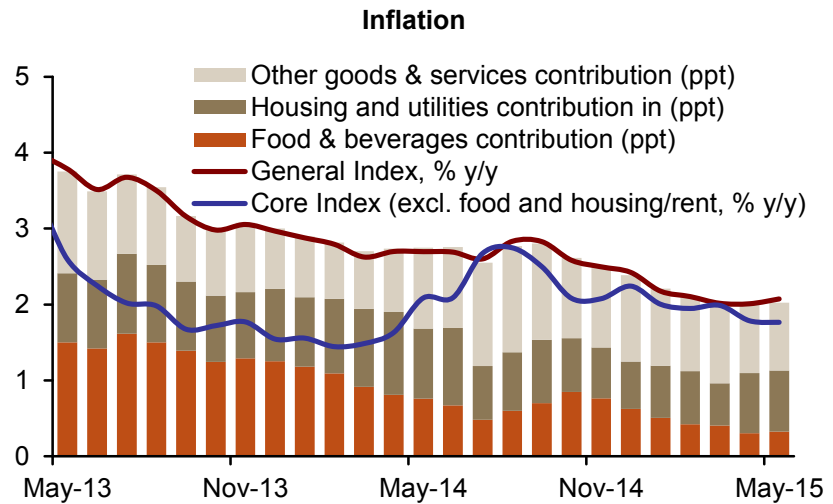




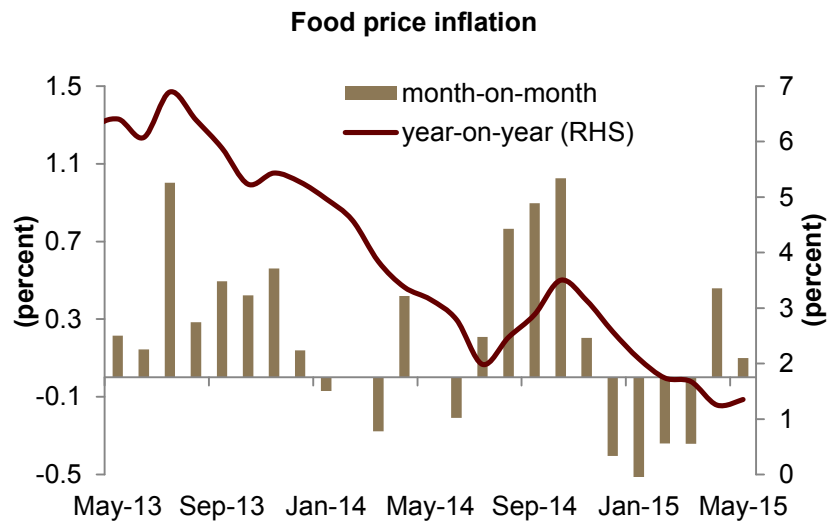
Inflation

In May, Saudi CPI rose to 2.1 percent year-on-year, its first rise in nine months, but this was mainly due to a lower base effect. Food price inflation recorded a small year-on-year rise, but showed a deceleration in monthly terms. Subdued food inflation is affected in part by a continued deflationary trend in international food prices.

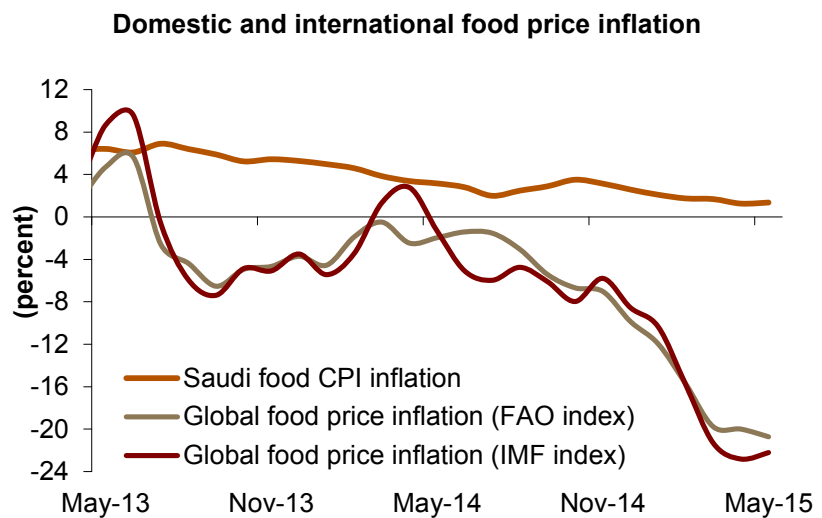
In May, Saudi CPI rose to 2.1 percent year-on-year, its first rise in nine months, but was mainly due to a lower base effect.



Food price inflation recorded a small rise of 1.4 percent, year-on-year, but showed a deceleration to 0.1 percent in monthly terms.



Subdued food inflation is affected in part by a continued deflationary trend in international food prices.

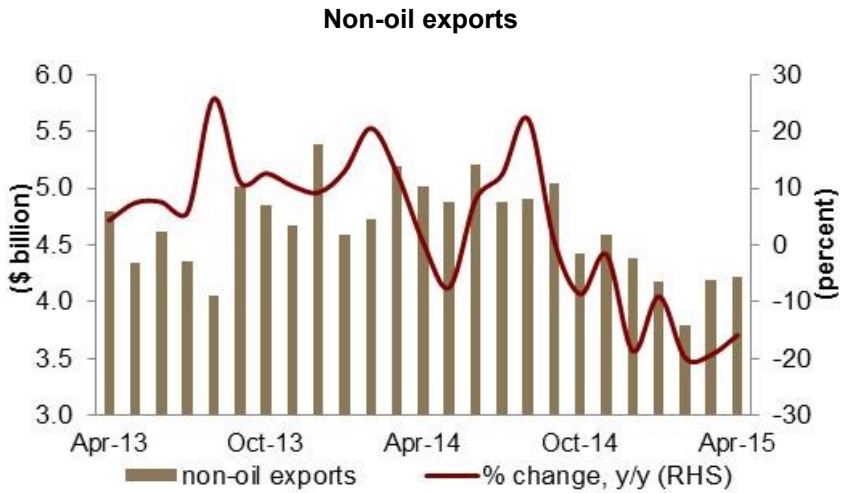




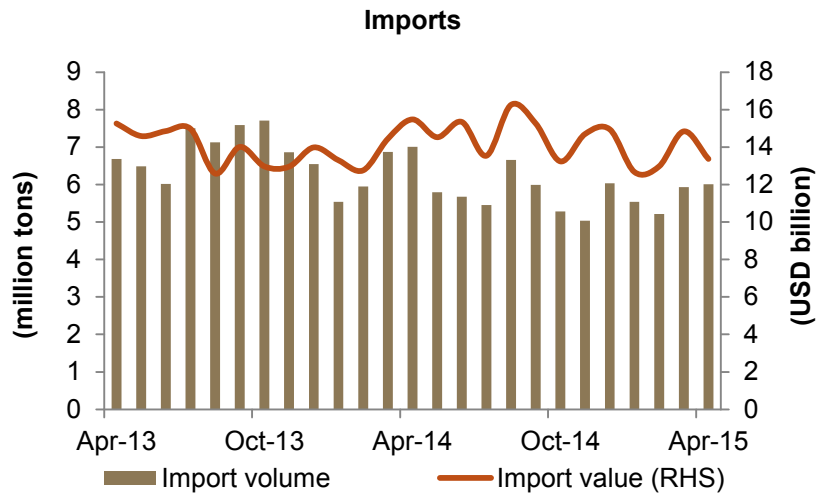
Trade

In April, non-oil exports increased slightly from the previous month but remained 16 percent lower year-on-year. Imports fell by \$2 billion, month-on-month, to reach \$13 billion, but volumes imported increased slightly. New LOCs opened point to a likely fall in imports in coming months.

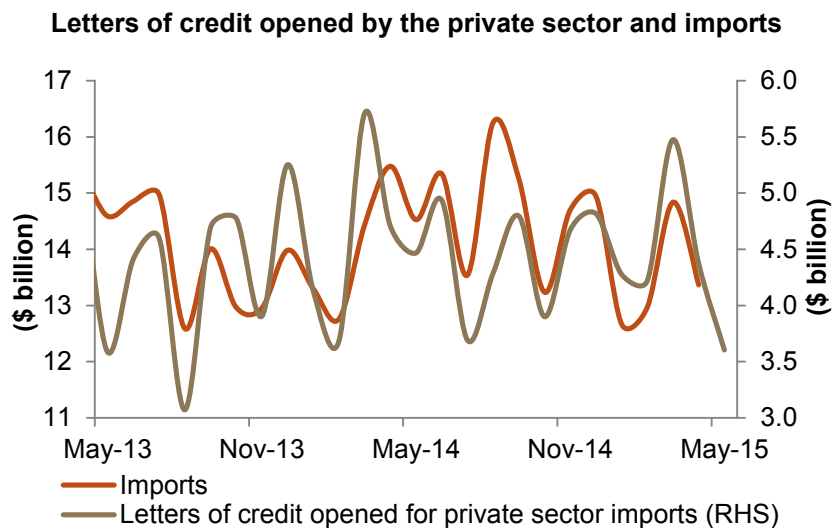
In April, non-oil exports increased slightly from the previous month.



Imports fell by \$2 billion, month-on-month, but import volume increased slightly, indicating a likely price effect.



New letters of credit opened point to a likely fall in imports in the coming months.

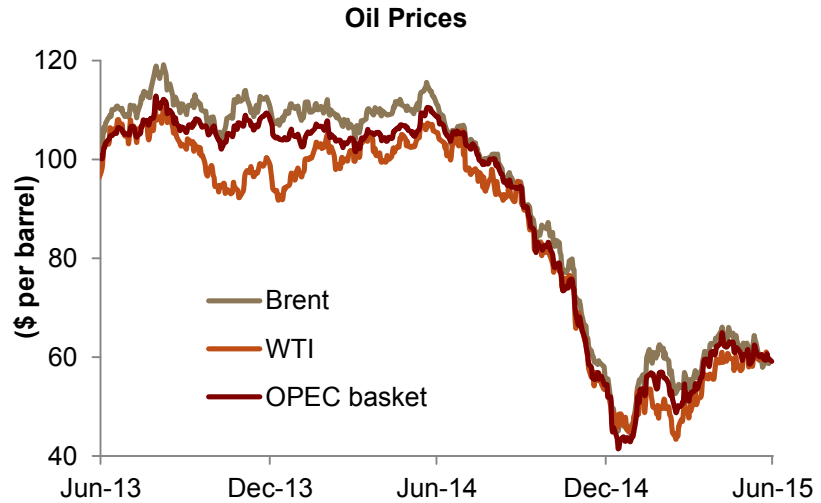




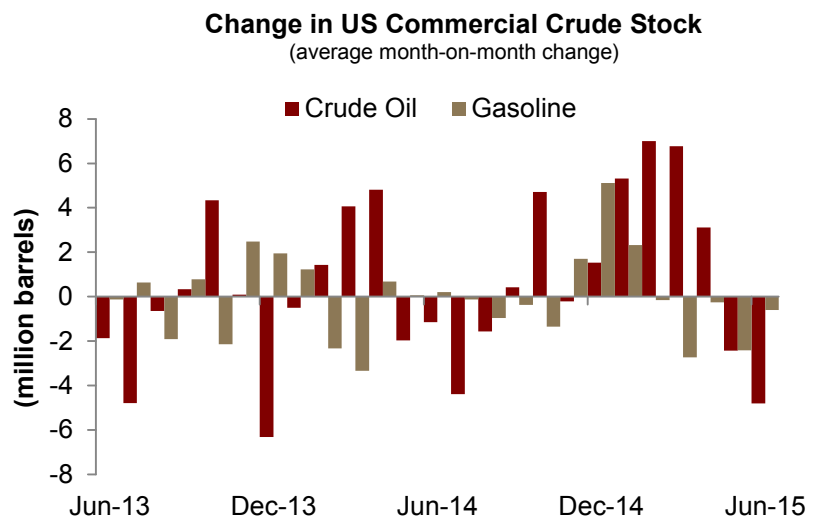
Oil - Global

Brent was down 5 percent, month-on-month, as the global market continued to be oversupplied. WTI, however, was flat month-on-month as demand for crude and gasoline picked up, with commercial stocks down in June. The higher average price of WTI in the last few months has stabilized the US oil rig count.

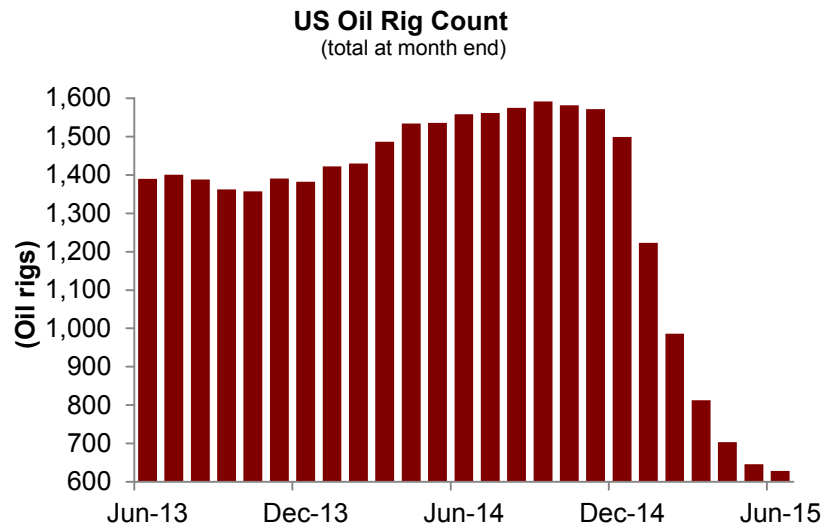
Brent was down, month-on-month, as a large global surplus in crude persists.



Demand in the US is robust with a second consecutive month in commercial crude stock drawdowns.



Stabilization in WTI prices in the last few months has resulted in a slow down in decline rates of US oil rigs.



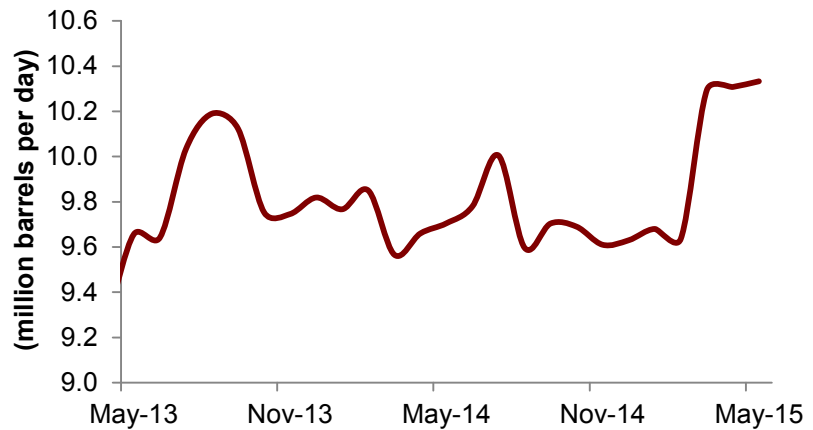


Oil - Regional

Saudi crude production remained above 10 mbpd in May as a pick-up in domestic and international demand led to record output. Iranian production showed little change as sanctions limited any increase in exports. Data from April showed Saudi exports were down, month-on-month.

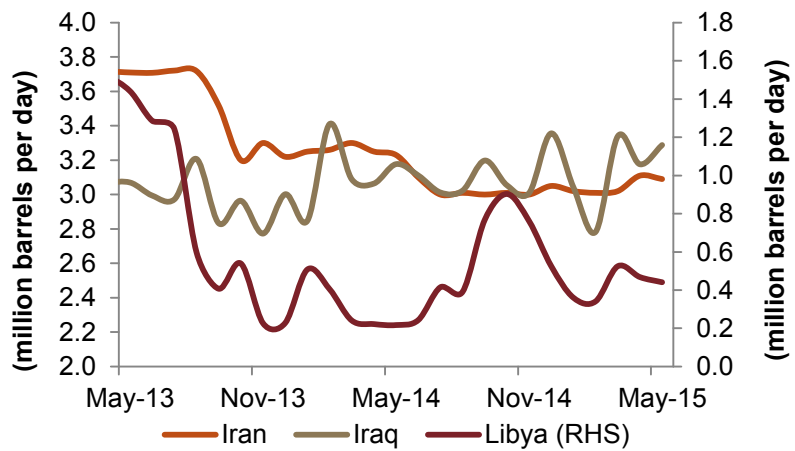
Rising domestic and international demand during the summer season and competition for market share are keeping Saudi production at record levels.

Saudi crude production

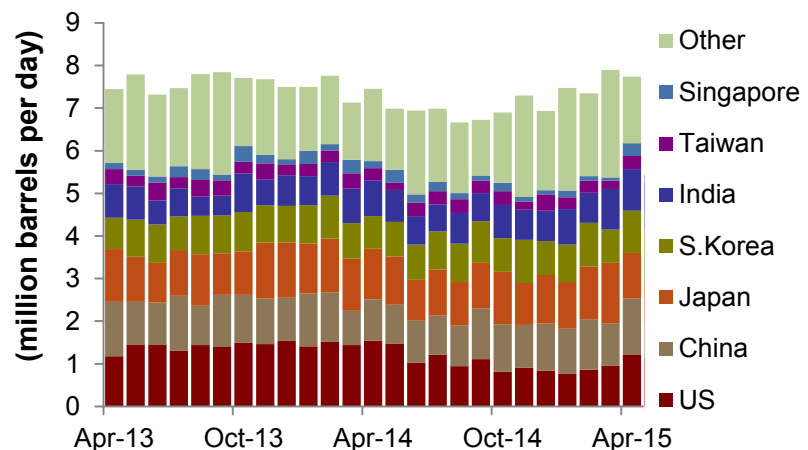


An increase in exports led to month-on-month rises from Iraq whilst Libyan output has stabilized around 0.4 mbpd.

Iraq, Iran and Libya production



Saudi crude exports by country



Latest date for April shows Saudi exports were down slightly, month-on-month, due to declines in the other segment (mainly Middle East and Europe) and Japan.

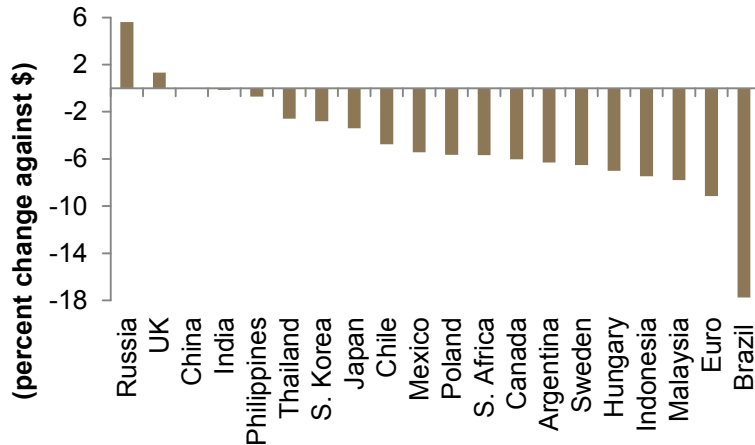


Exchange Rates

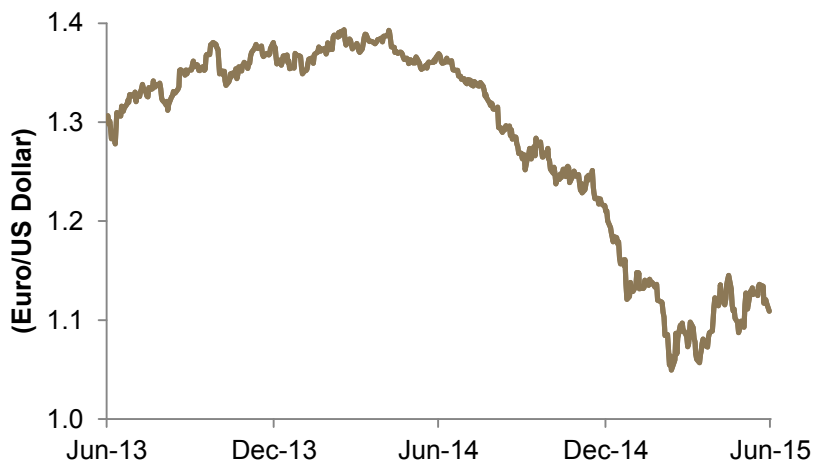
The dollar continued to increase in value against most major currencies in June. Uncertainty surrounding Greece's debt repayment talks meant the euro weakened against the dollar during June. Meanwhile the UK pound is one of few major currencies to increase in value against the dollar in June.

The dollar has gained against most major currencies, year-to-date, as global investors expect the US Federal Reserve (Fed) to tighten monetary policy imminently.

Trade-weighted dollar



Euro/US Dollar



The euro was down in June and could reach parity with the dollar if a Greek exit materializes.

UK pound/US Dollar



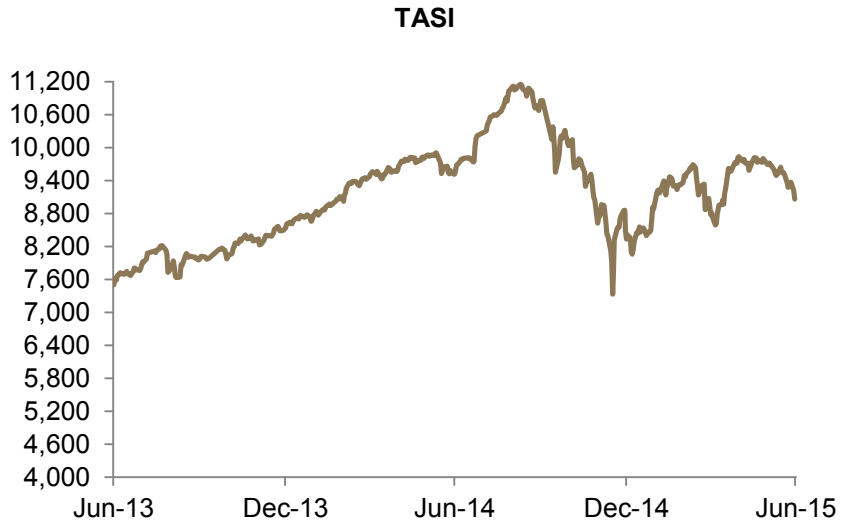
Speculation related to the Bank of England increasing interest rates before the US Fed, strengthened the UK pound against the dollar in June.



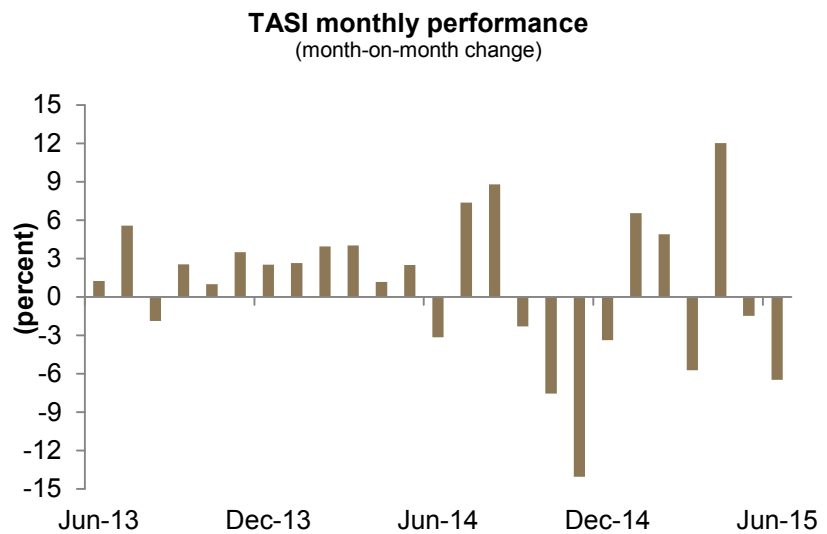
Stock Market

The TASI fell, month-on-month, in June due to the beginning of the Islamic holy month of Ramadan and weaker sentiment related to a possible Greece default. Although a downturn in stock market activity is normally observed during Ramadan, this has been exacerbated by events unfolding in Greece.

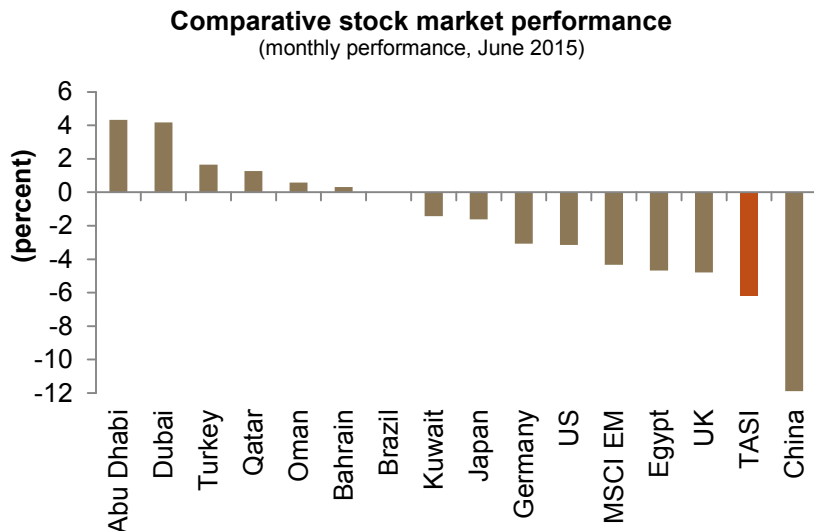
The TASI declined in line with seasonal trends during Ramadan.



The TASI has trended downwards for two consecutive months.



Most equity markets were down in June as a result of uncertainty related to Greece, but the TASI's added losses related to seasonality meant it was one of the worst performers in June.



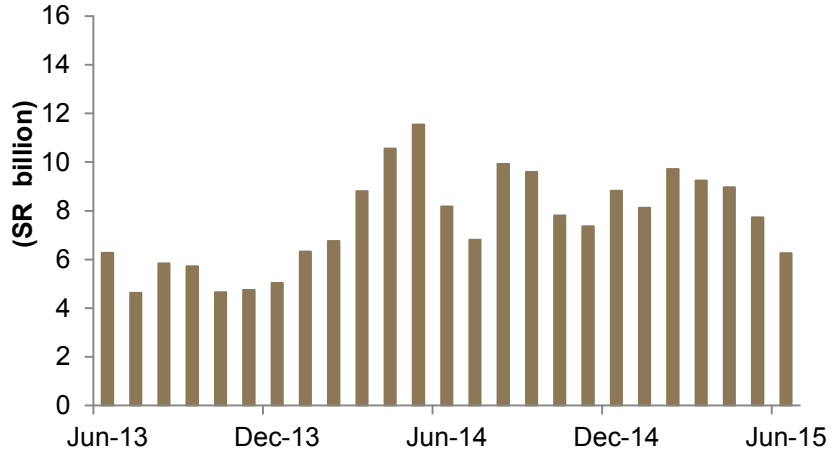


Volumes

Subdued trading during the start of Ramadan led to traded volumes dropping by 19 percent, month-on-month, in June. Traded volumes usually average their lowest in the year during Ramadan as retail investors become less focused on the stock market.

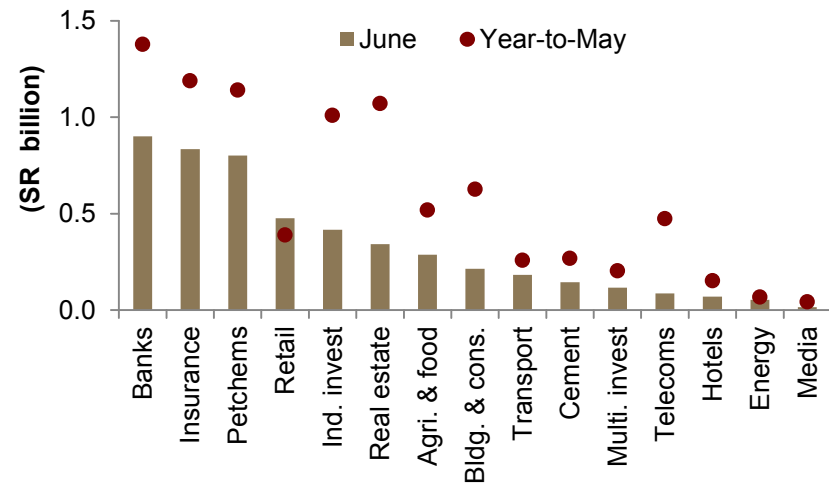
Market turnover dipped to its lowest since February 2014.

Daily average stock market turnover



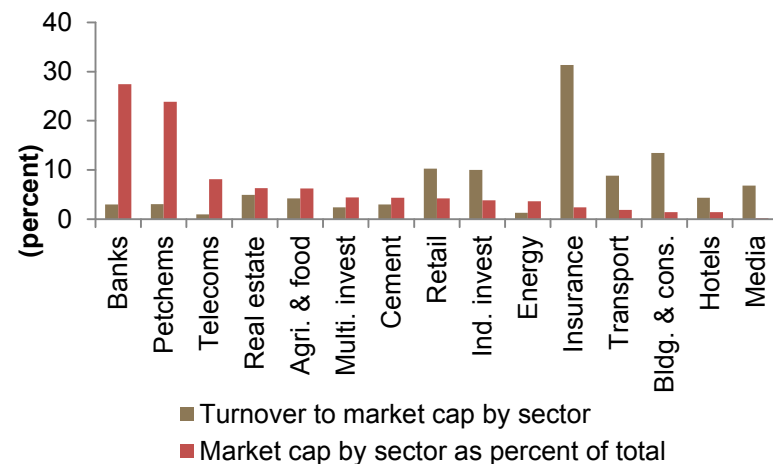
Turnover by sector was lower across the board as is the case usually around Ramadan...

Turnover by sector (daily average)



...although the overall pattern in sectorial turnover was similar to previous months, with the insurance sector typically recording high turnover.

Turnover as percent of market cap (June, 2015)

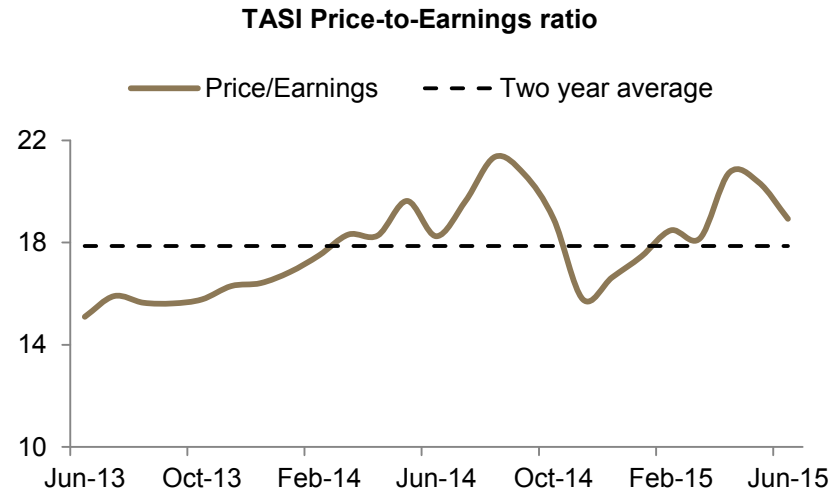




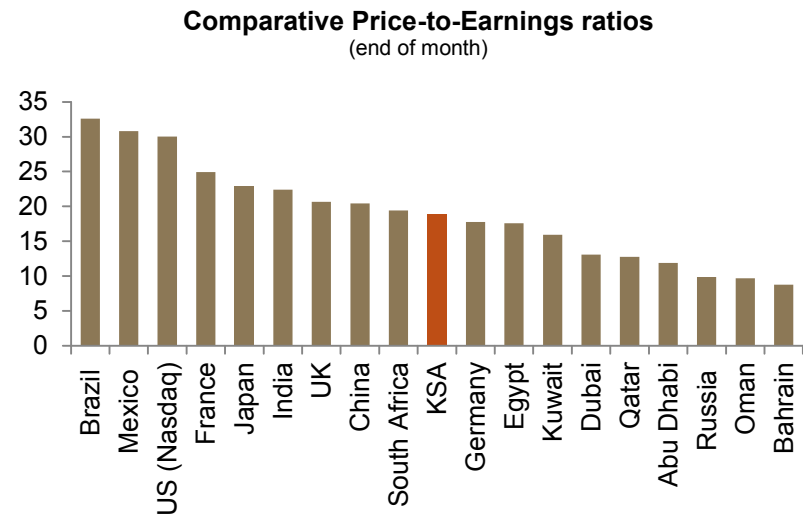
Valuations

Lower trading activity and a sell-off in shares during the month of Ramadan has seen price-to-earnings (PE) in the TASI drop towards its two year average, although it is still comparatively expensive to regional markets. Dividend yield has shown limited change month-on-month.

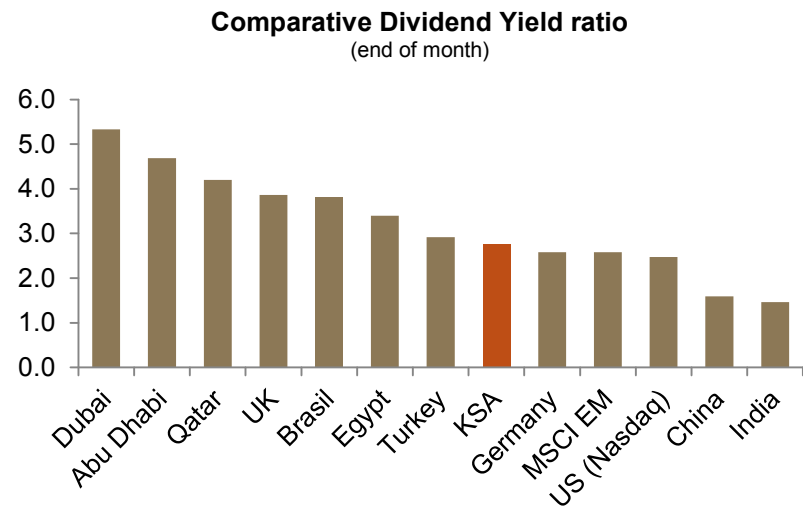
PE has been trending downwards for the last three months...



...but is still relatively expensive compared to regional markets.



Dividend yield remains in line with emerging market averages.

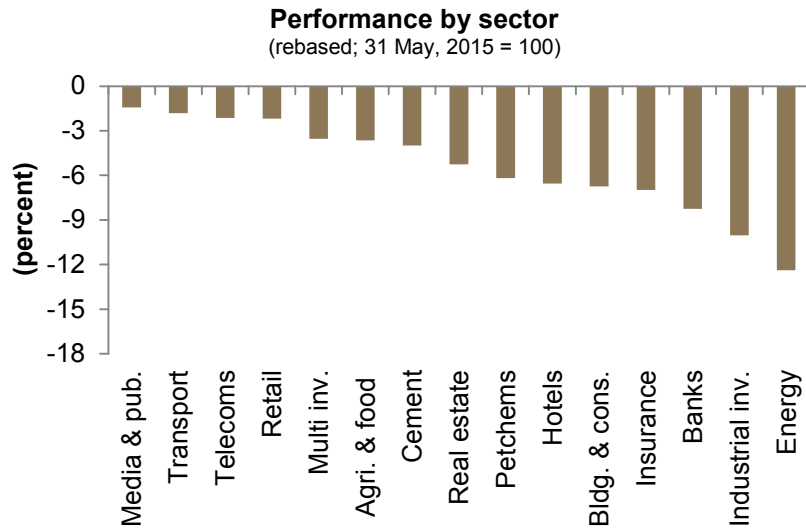




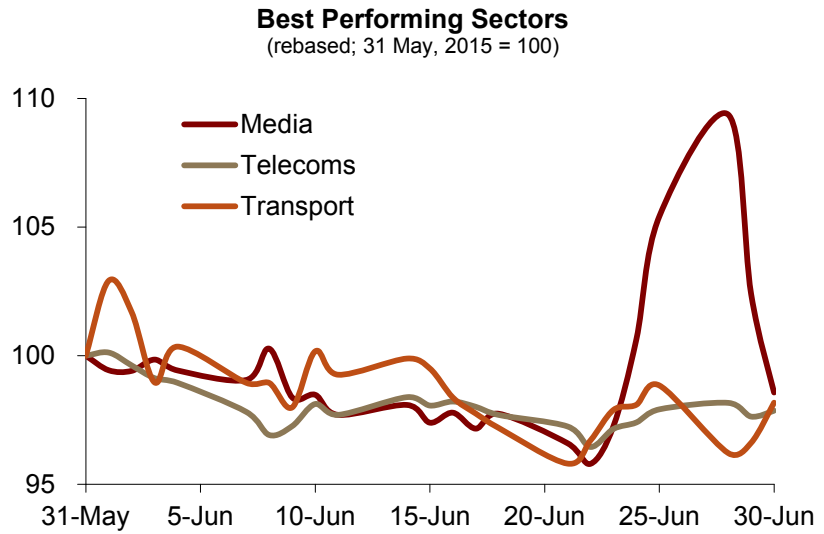
Sectoral Performance

A sell-off during the start of Ramadan and weaker investor sentiment due to Greece's debt issue meant that all 15 sectors were down in June. Lower investor confidence meant sectors that usually maintain positive performance in Ramadan were down too.

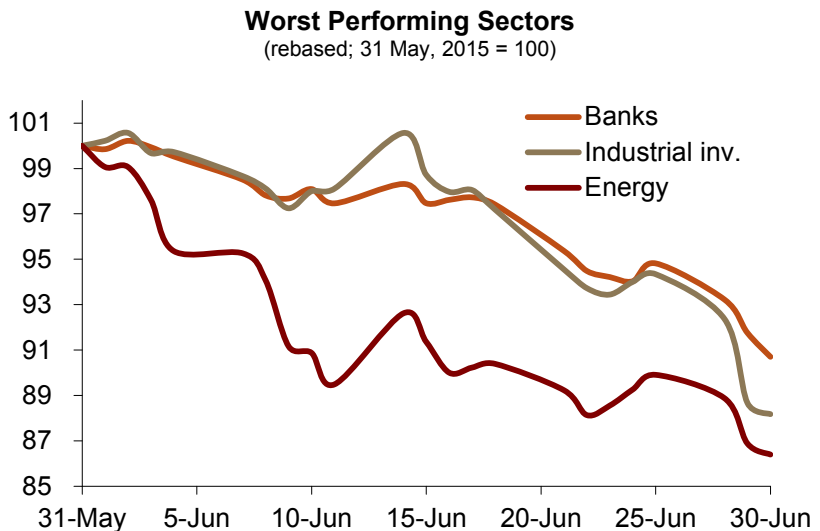
All sectors recorded negative performance in June.



Weaker investor sentiment meant sectors such as retail, agriculture & food and hotels, which usually see strong returns during Ramadan, did not perform positively.



Although negative performance in some sectors was in-line with seasonal trends.





Key Data

	2008	2009	2010	2011	2012	2013	2014 E	2015 F	2016 F
Nominal GDP									
(SR billion)	1,949	1,609	1,976	2,511	2,752	2,791	2,798	2,533	2,704
(\$ billion)	519.8	429.1	526.8	669.5	734.0	744.3	746.2	675.6	721.1
(% change)	25.0	-17.4	22.8	27.1	9.6	1.4	0.3	-9.5	6.7
Real GDP (% change)									
Oil	4.3	-8.0	-0.1	12.2	5.1	-1.6	1.5	1.6	-0.8
Non-oil private sector	11.1	4.9	9.7	8.0	5.5	7.0	5.6	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	3.5	3.3	2.1
Oil indicators (average)									
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
Budgetary indicators (SR billion)									
Government revenue	1,101	510	742	1,118	1,247	1,156	1,044	700	710
Government expenditure	520	596	654	827	873	976	1,110	1,098	996
Budget balance	581	-87	88	291	374	180	-66	-398	-286
(% GDP)	29.8	-5.4	4.4	11.6	13.6	6.5	-2.3	-15.7	-10.6
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	12.7
Monetary indicators (average)									
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
External trade indicators (\$ billion)									
Oil export revenues	284.1	166.9	215.2	317.6	337.5	323.1	285.0	171.8	182.1
Total export revenues	313.5	192.3	251.1	364.7	388.4	375.9	342.3	231.7	247.6
Imports	101.5	87.1	97.4	120.0	141.8	153.3	158.5	160.1	159.3
Trade balance	212.0	105.2	153.7	244.7	246.6	222.6	183.9	71.6	88.3
Current account balance	132.3	21.0	66.8	158.5	164.8	135.4	76.9	-24.7	-7.6
(% GDP)	25.5	4.9	12.7	23.7	22.4	18.2	10.3	-3.7	-1.1
Official reserve assets	442.7	410.1	445.1	544.0	656.6	725.7	732.4	650.0	637.3
Social and demographic indicators									
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	24,252	21,429	22,353

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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