جدوى للإستثمار
Jadwa Investment

March 2015

Saudi Chartbook

Summary

Real Economy: PMI was almost unchanged in January at 57.8, compared to 57.9 in the previous month. Monthly production for both steel and cement rose to an all time high in January.

Monetary indicators: Broad money supply growth fell in January, owing to slower deposit growth in the banking sector, but government handouts should reverse the trend in February.

Bank lending: Bank lending to the private sector posted a healthy rise in January, resuming its monthly growth following a decline in the previous two months.

SAMA foreign assets: SAMA foreign reserve assets increased slightly by $2 billion month-on-month in January to reach $730 billion.

Inflation: Data for January shows that CPI slowed for the fifth consecutive month to reach 2.2 percent.

Trade: China replaced the US as the largest source for Saudi imports during 2014. Non-oil exports for December remained unchanged, year-on-year.

Oil –Global: A combination of short covering, reports of capex cuts by international oil companies and a drop in the US rig count helped push up Brent by 33 percent in February, month-on-month, to $62 per barrel.

Oil –Regional: Saudi crude production remained unchanged, month-on-month, in January but production declined in both Libya, due to a resumption in civil conflict, and in Iraq, due to logistical reasons.

Exchange rates: The euro dipped slightly in February as Greece could not negotiate a definitive agreement with the European Central Bank (ECB) over debt repayment.

Stock market: The TASI rose by 4.9 percent, month-on-month, in February as investor sentiment was boosted by Brent oil stabilizing around the $60 per barrel mark.

Volumes: Turnover averaged SR9.7 billion per day in February, up 20 percent month-on-month, the highest turnover average since August 2014.

Valuations: The TASI's price to earnings (PE) trended upwards in February to 18.5, rising above the two year average of 17.2.

Sectoral performance: Eight out of the total 15 sectors recorded positive performance in February. The energy sector was the best performer, benefitting from a dividend announcement.

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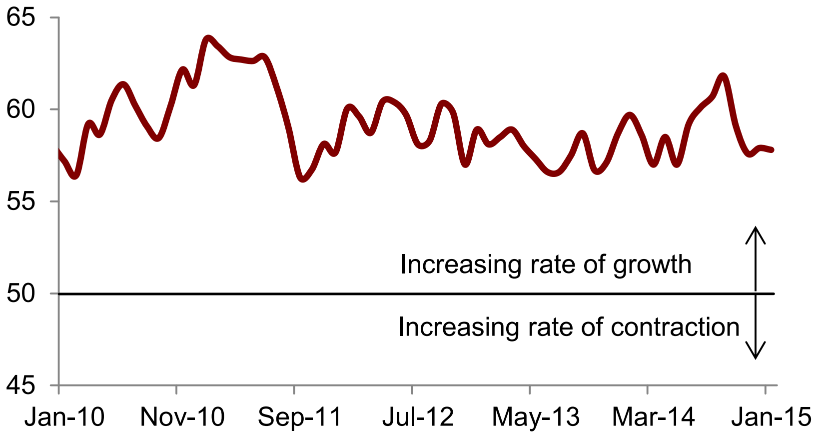
Real Economy

PMI was almost unchanged in January at 57.8, compared to 57.9 in the previous month. Monthly production for both steel and cement rose to an all time high. Year-on-year growth in Cement production and sales was strong at 15.3 percent, and 16.1 percent respectively.

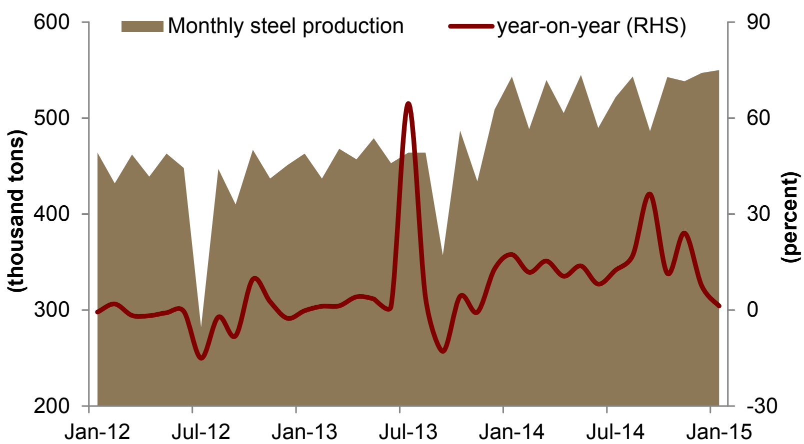
PMI was almost unchanged in January at 57.8, compared to 57.9 in the previous month, showing sustained growth in both output and new orders.

HSBC/Markit Purchasing Managers Index (PMI)



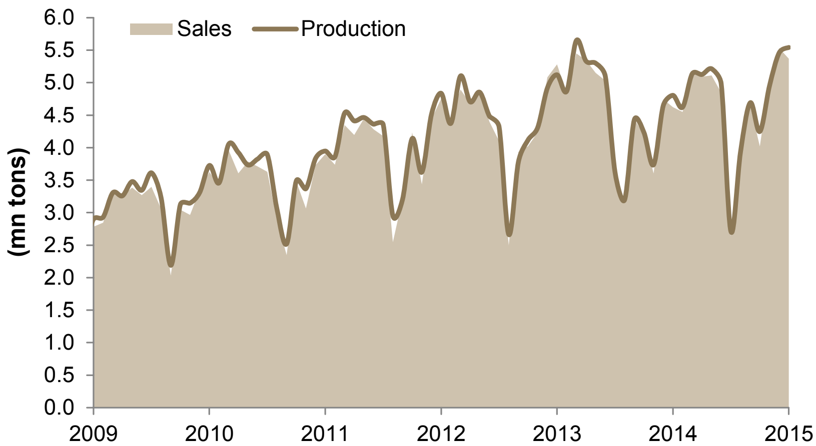
Saudi steel production reached an all time high in January at 550 thousand tons, growing by 1.3 percent year-on-year.

Monthly steel production



Cement production also reached an all time high in January, with a total of 5.5 million tons of cement produced. Cement sales fell by 2.9 percent in January, but was 16.1 percent higher than the same period last year.

Cement production and sales

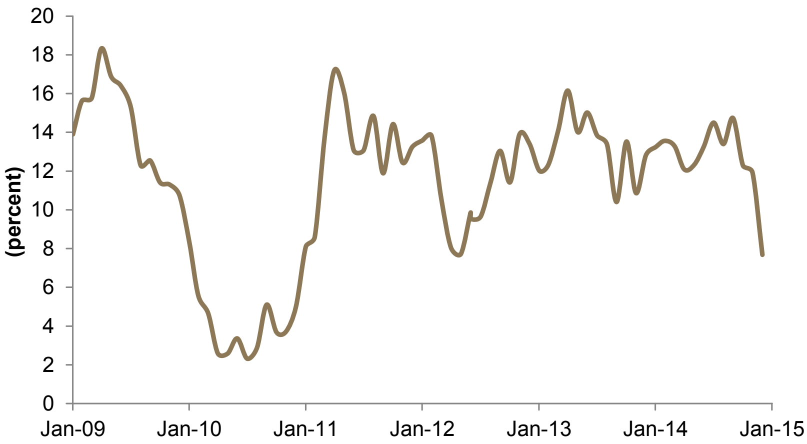


Monetary indicators

Broad money supply growth fell in January, owing to slow growth in bank deposits. Year-on-year growth in total deposits for both the private sector and the government slowed. The downward trend affected both demand and time and savings deposits. We believe that this trend is likely to reverse in coming months due to the recently announced fiscal package.

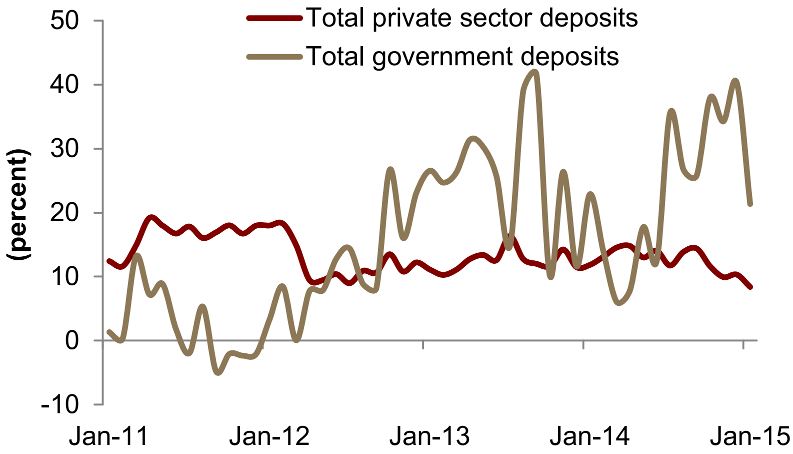
Money supply growth fell to 7.7 percent year-on-year, its slowest since May 2012…

Broad money supply (M3)
(year-on-year change)



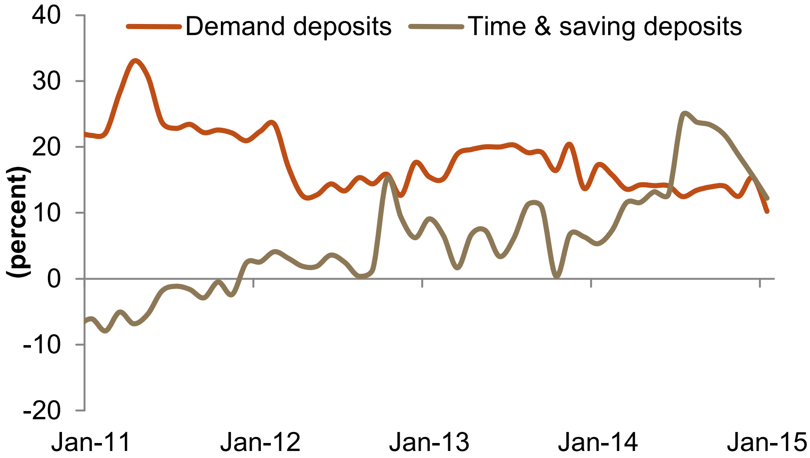
...owing to slow deposit growth in the banking sector, with growth in total deposits for both the private sector and government slowing to 8.4 percent, and 21.3 percent, year-on-year respectively.

Deposits in the banking sector



Slower growth occurred to both demand and time and savings deposits, which grew by 10.2 percent and 12.2 percent year-on-year respectively. This trend is likely to reverse in coming months as public sector employees deposit part of their two months salary bonus.

Bank deposits
(year-on-year change)

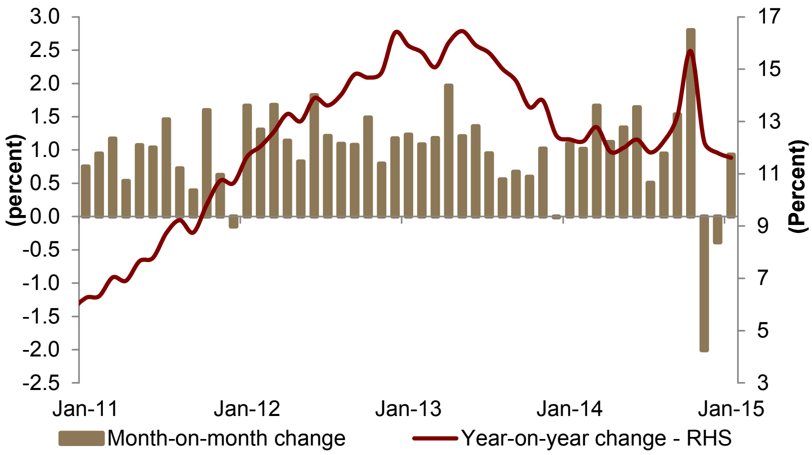


Bank lending

Bank lending to the private sector posted a healthy rise in January, resuming its monthly growth following a decline in the previous two months. The share of credit with short-term maturities continued its gradual decline. Healthy growth in lending coupled with a monthly decline in deposits led to an increase in the loan-to-deposit ratio.

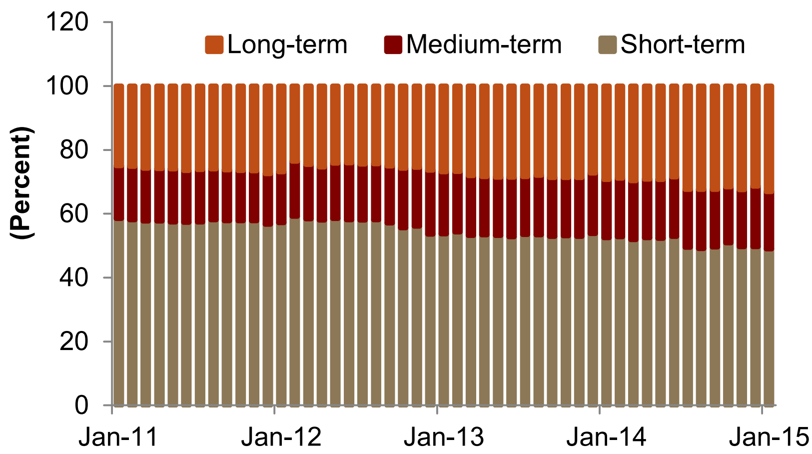
Bank lending to the private sector grew by 1 percent month-on-month in January, while year-on-year growth stood at 11.6 percent.

Bank lending to the private sector



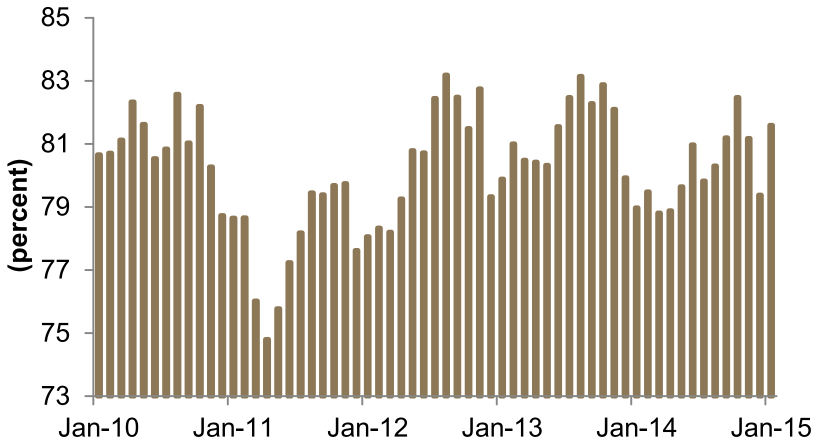
Short-term lending declined as a proportion of total bank lending to 49 percent in January, compared to 53 percent during the same period last year. This could indicate that liquidity in the private sector is further improving, as companies shift from financing day-to-day operations to financing longer-term capital expenditure.

Breakdown of bank lending by maturity
(proportion of the total)



Healthy growth in lending activity, coupled with a 2 percent month-on-month decline in total deposits, led to an increase in the loan-to-deposit ratio to 81.6 percent in January, up from 79.4 percent in the previous month.

Loan to deposit ratio

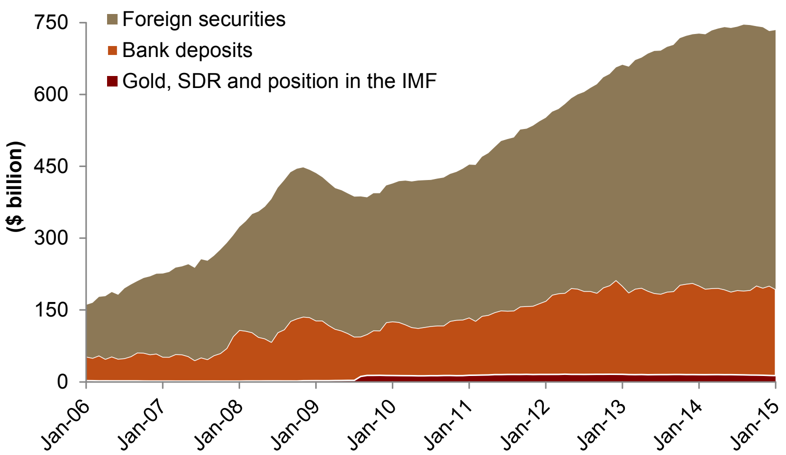


SAMA foreign assets

SAMA foreign reserve assets increased slightly in January to reach $730 billion. The increase came after four consecutive monthly declines, which we believe has been mainly a result of the fall in oil export revenues, while the government has maintained its high level of spending.

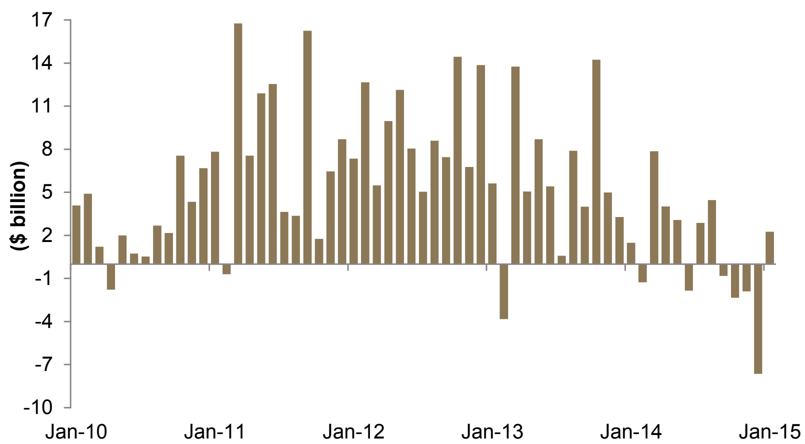
SAMA foreign reserve assets increased slightly by $2 billion to reach $730 billion in January.

SAMA reserve assets



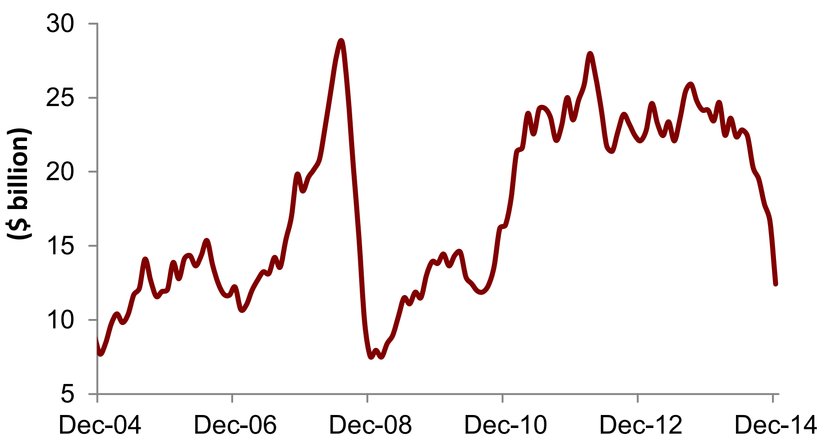
The increase follows four consecutive monthly declines, which totaled $11.9 billion since reaching a peak of $741 billion in August.

Growth in SAMA foreign reserve assets
(month-on-month)



The decline in the previous four months was likely caused by the fall in oil export revenues, while government spending was kept at an elevated level. Looking forward, we expect the rebound in oil prices is likely to improve Saudi oil export revenues in coming months.

Oil export revenues*



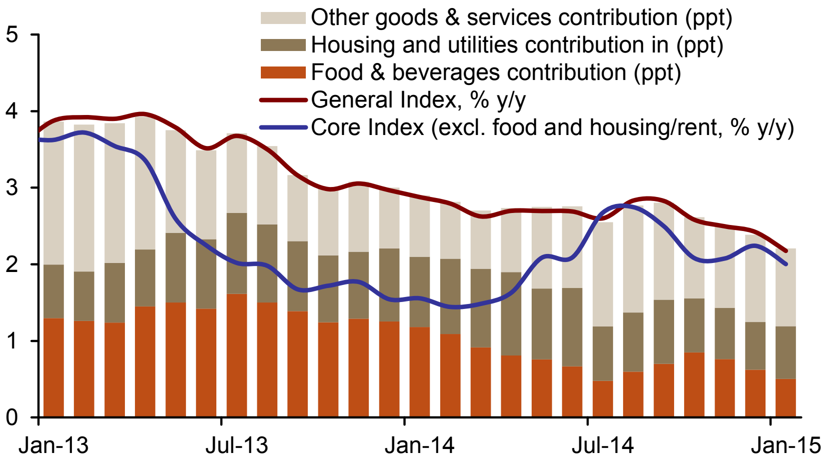
Note: * Jadwa Investment estimates

Inflation

Data for January shows that CPI slowed for the fifth consecutive month to reach 2.2 percent. Foodstuffs continued to slow, year-on-year, for the fourth consecutive month to reach 2.1 percent, while housing reversed its slowing trend and accelerated to 2.7 percent. Most components of the core index recorded a mild slowdown.

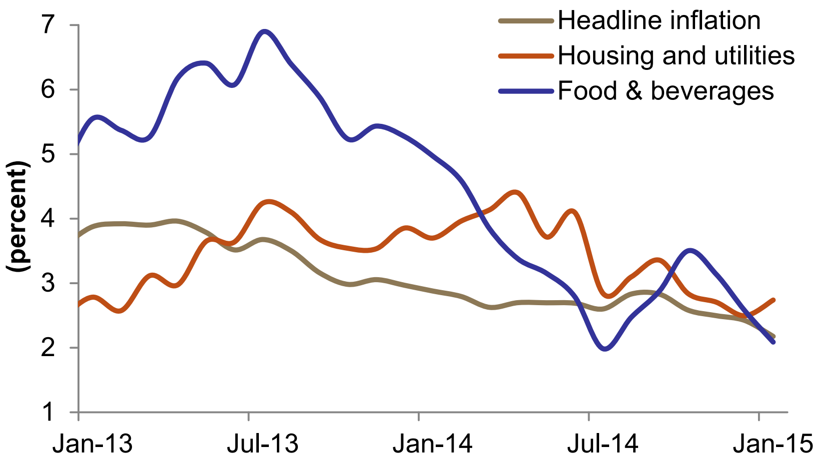
Data for January shows that CPI slowed for the fifth consecutive month to 2.2 percent, year-on-year.

Inflation



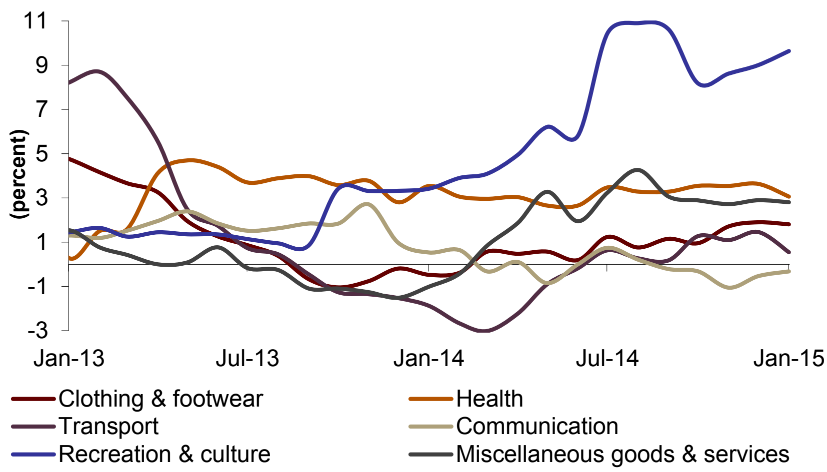
Foodstuffs continued to slow, year-on-year, for the fourth consecutive month to reach 2.1 percent, while housing inflation accelerated to 2.7 percent, year-on-year.

Food, housing, and headline inflation
(year-on-year change)



Core inflation slowed to 2 percent year-on-year in January, down from 2.3 percent year-on-year in the previous month. Most components of the core index recorded a mild slowdown.

Core inflation
(year-on-year change)

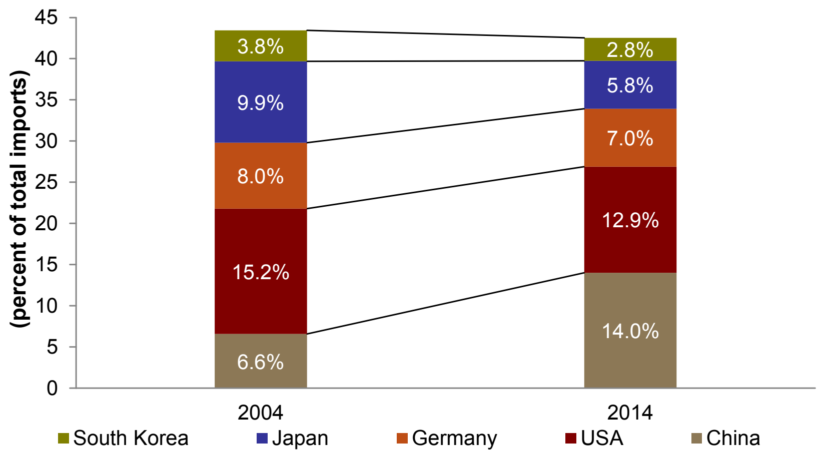


Trade

China replaced the US as the largest source for Saudi imports during 2014. As a share of total imports, imports from China grew from 7 percent in 2004 to 14 percent in 2014. Non-oil exports for December remained unchanged, year-on-year. New letters of credit indicate that import growth is likely to be mild in coming months.

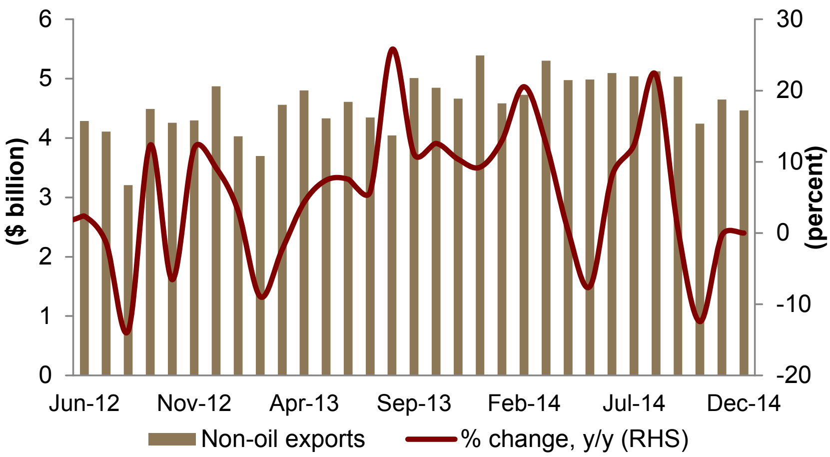
Imports from China grew from 7 percent in 2004 to 14 percent in 2014 a share of total Saudi imports, while the rest of the major trade partners saw their export shares to Saudi decline during the same period.

Source of Saudi imports



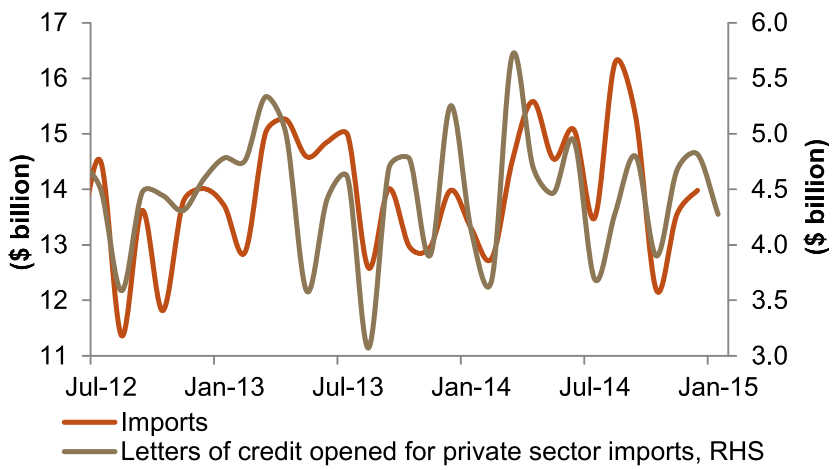
Non-oil exports for December declined slightly compared to the previous month, but remained unchanged, year-on-year.

Non-oil Exports



New letters of credit opened indicate that import growth is likely to be mild in coming months.

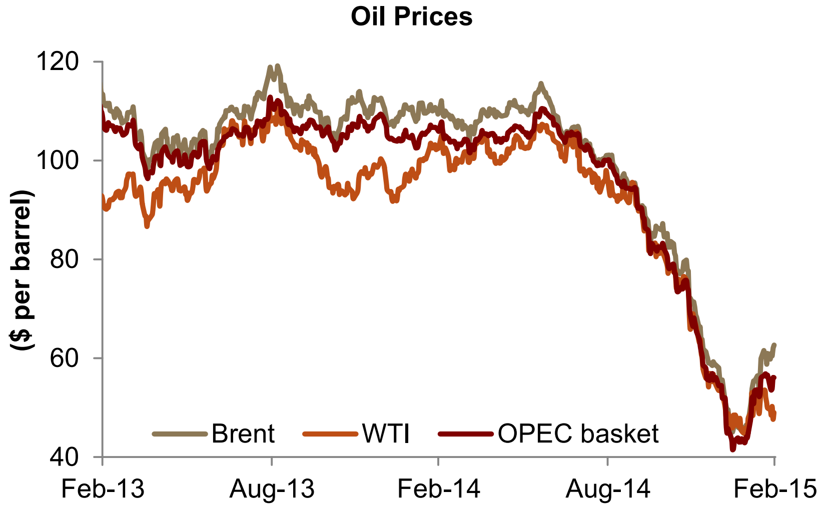
Letters of credit opened by the private sector and imports



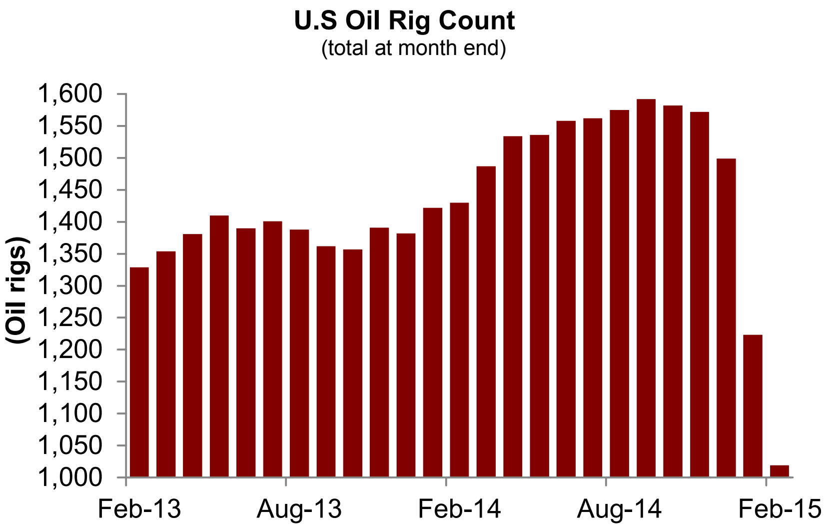
Oil - Global

A combination of short covering, reports of capex cuts by international oil companies and a drop in the US rig count helped push up Brent by 33 percent in February, month-on-month, to $62 per barrel. WTI was up by only 2.8 percent to $51 per barrel due to a third consecutive month in crude stock builds.

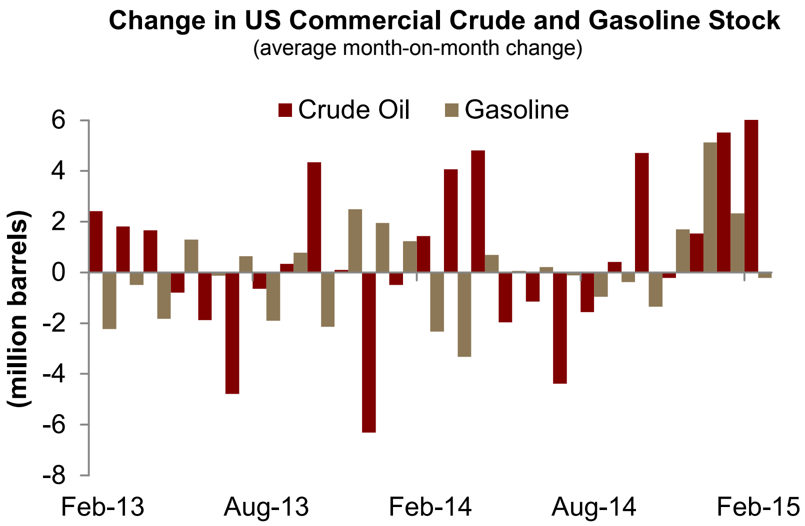
Brent reached $62 per barrel at the end of February…



...partially supported by bullish sentiment as a result of month-on-month declines in the US oil rig count…



...although this did not prevent crude stockpiling in the US, which meant WTI's gains in February were more modest.

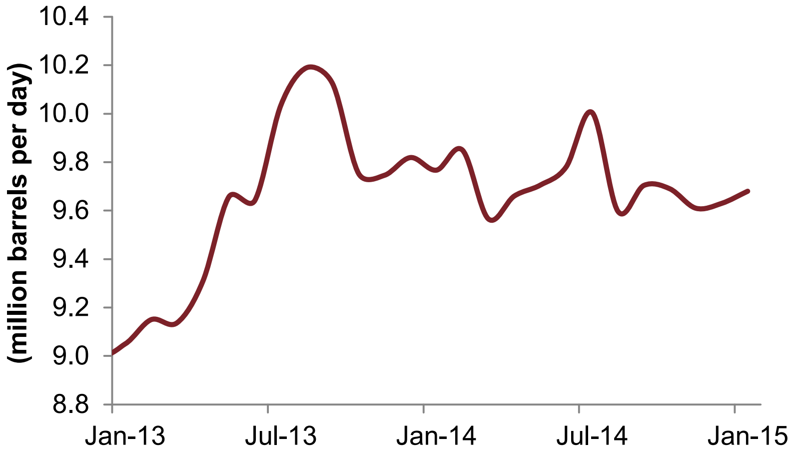


Oil - Regional

Saudi crude production remained unchanged, month-on-month, in January but production declined in both Libya, due to a resumption in civil conflict, and in Iraq, due to logistical reasons. A rise in the official selling prices (OSP's) to Asian customers led to decline in Saudi crude exports in December, month-on-month.

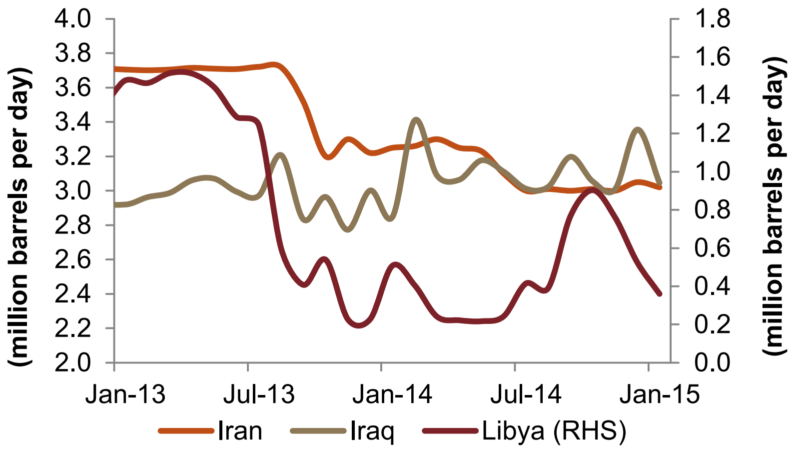
Saudi crude production has remained at around 9.6 mbpd since October 2014.

Saudi crude production



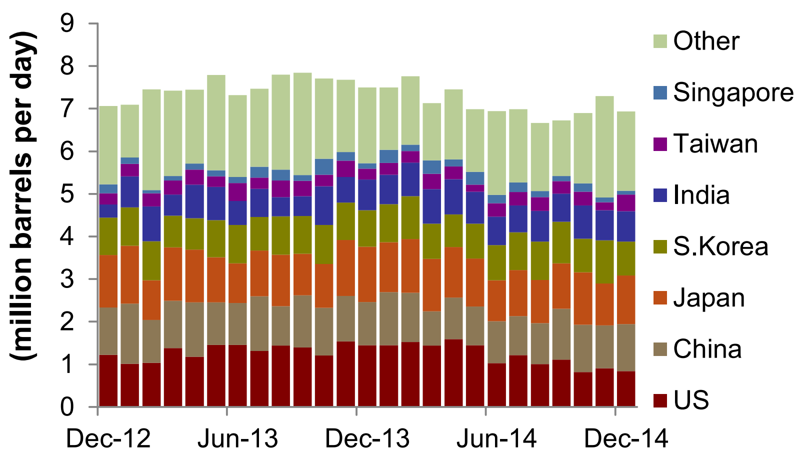
Intense fighting in Libya led to production falling in January, month-on-month, whilst bad weather affected Iraqi output.

Iraq, Iran and Libya production



Latest data shows that Saudi crude exports dipped to below 7mbpd in December as a rise in OSP's affected Asian demand.

Saudi crude exports by country

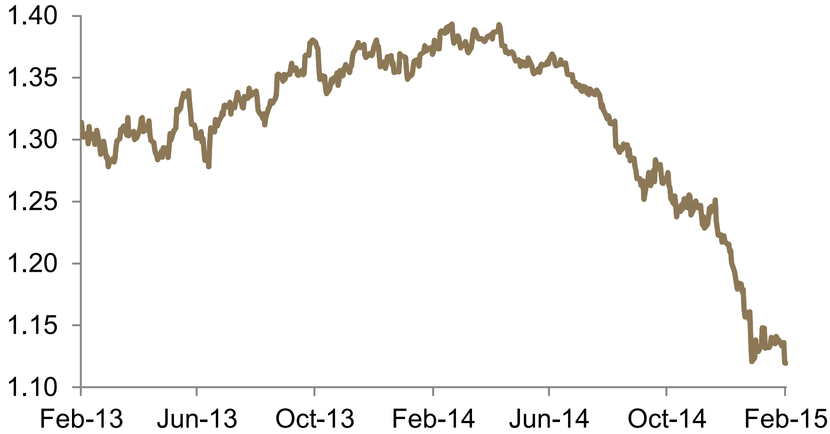


Exchange Rates

The euro dipped slightly in February as Greece could not negotiate a definitive agreement with the European Central Bank (ECB) over debt repayment. The UK pound recovered as the Bank of England stated that low inflation remained a priority, whilst the Russian ruble regained some value as a ceasefire with Ukraine was agreed.

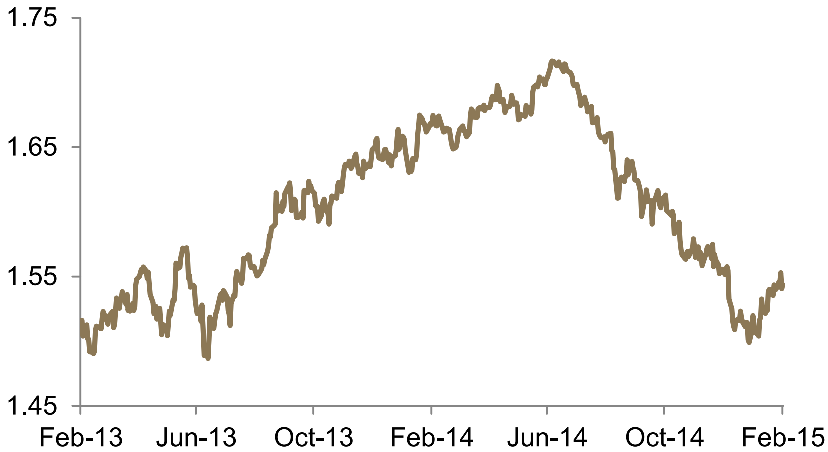
The euro dipped slightly as Greece's debt issues remained unresolved.

Euro/US Dollar



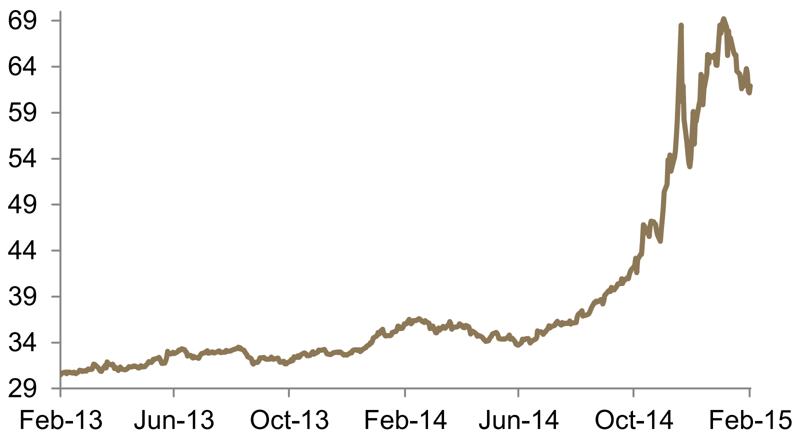
The UK pound recovered against the dollar as the Bank of England stated that current low inflation was likely to be short lived.

UK Pound/US Dollar



The Russian ruble reversed some previous losses as a ceasefire was agreed with Ukraine.

US Dollar/Russian Ruble

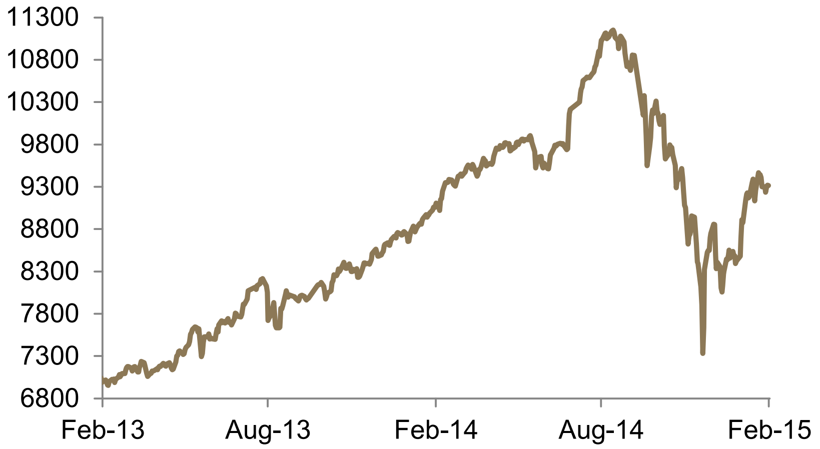


Stock Market

The TASI increased by 4.9 percent month-on-month.

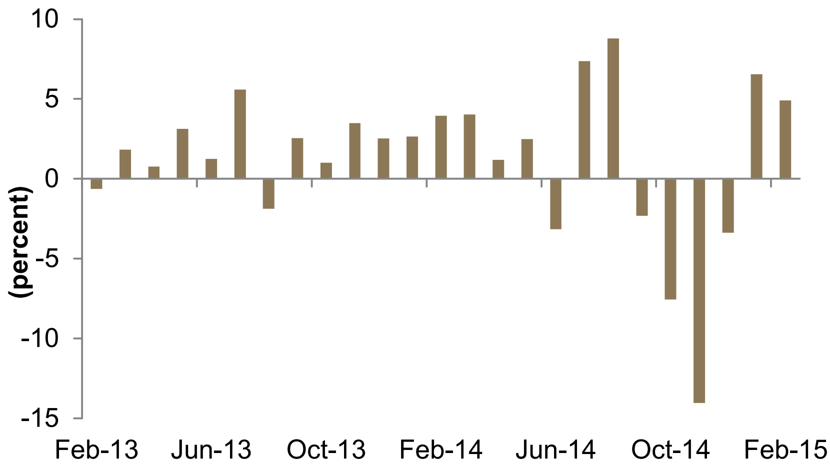
The TASI rose by 4.9 percent, month-on-month, in February as investor sentiment was boosted by Brent oil stabilizing around the $60 per barrel mark. The Saudi benchmark is now up 5.2 percent since the end of 2014, although its performance in February was still at the lower end when compared most global indices.

TASI



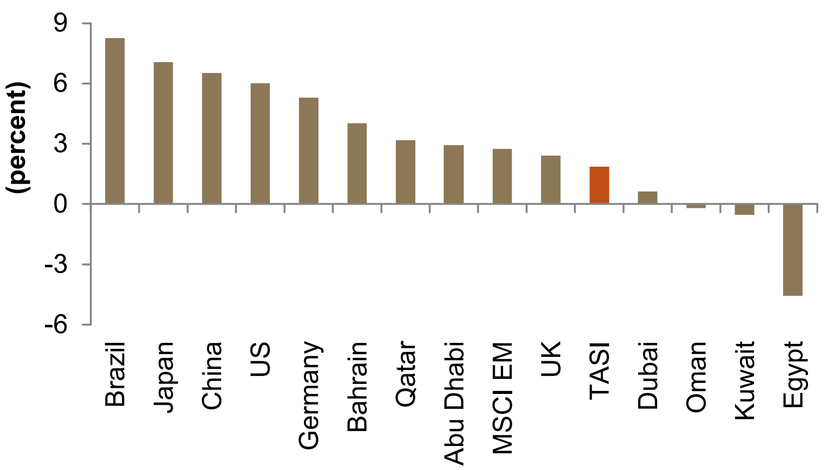
This was the TASI's second consecutive monthly rise since September 2014.

TASI monthly performance



Although the Saudi index performed weaker than major global indices, its performance was better than most regional ones.

Comparative stock market performance
(monthly performance, February 2015)

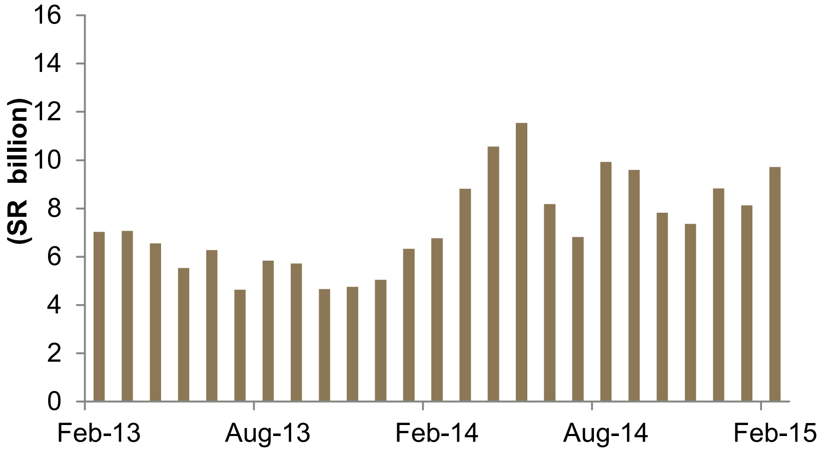


Volumes

Turnover averaged SR9.7 billion per day in February, up 20 percent month-on-month, the highest turnover average since August 2014. Banks and petchem. stocks saw the largest turnover by sector, with the smaller sectors seeing higher turnover to market capitalization.

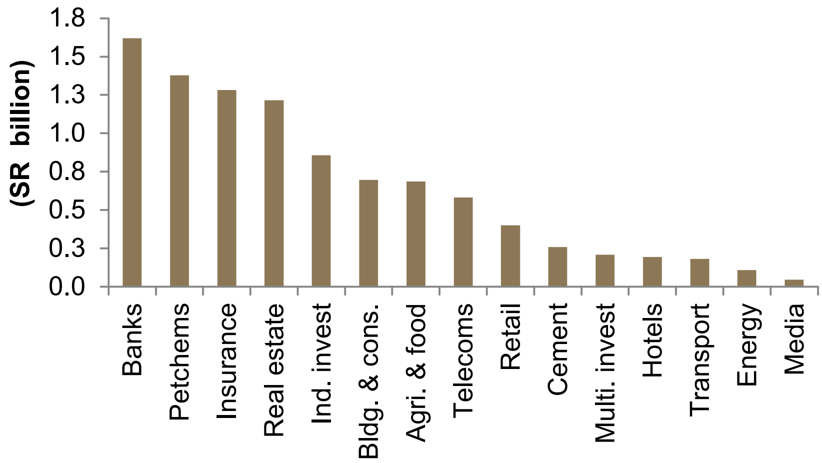
Turnover averaged SR9.7 billion per day in February, up 20 percent month-on-month.

Daily average stock market turnover



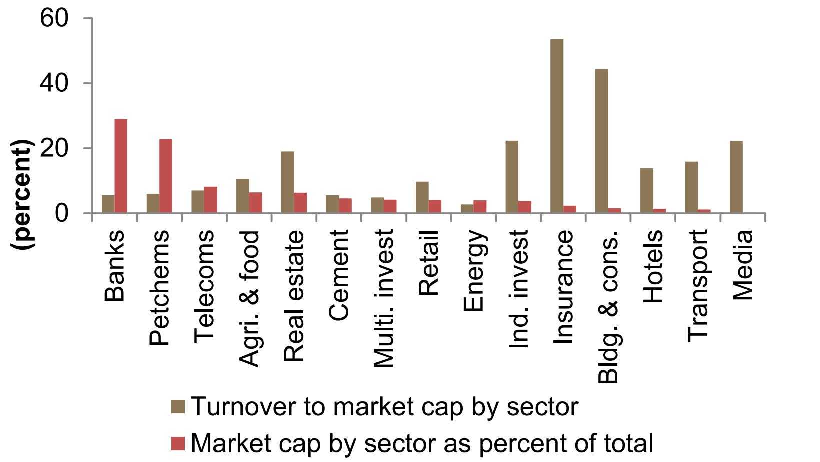
Banks and petchems. turnover is normally higher due to the sectors more prominent weighting within the TASI…

Turnover by sector
(daily average)



...but when market capitalization is considered, smaller sectors have much higher turnover, suggesting higher level of speculation within such sectors.

Turnover as percent of market cap
(February, 2015)

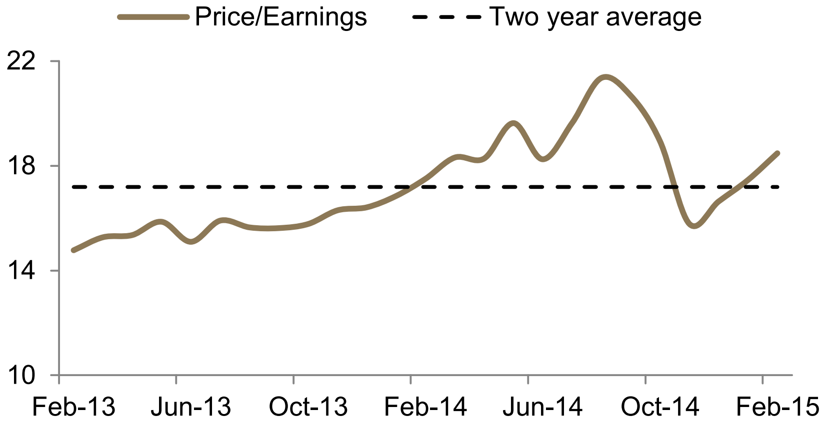


Valuations

The TASI's price to earnings (PE) trended upwards in February to 18.5, rising above the two year average of 17.2. The TASI's PE remains on the higher side when compared to major and regional indices but dividend yield is comparatively better than many emerging market indices.

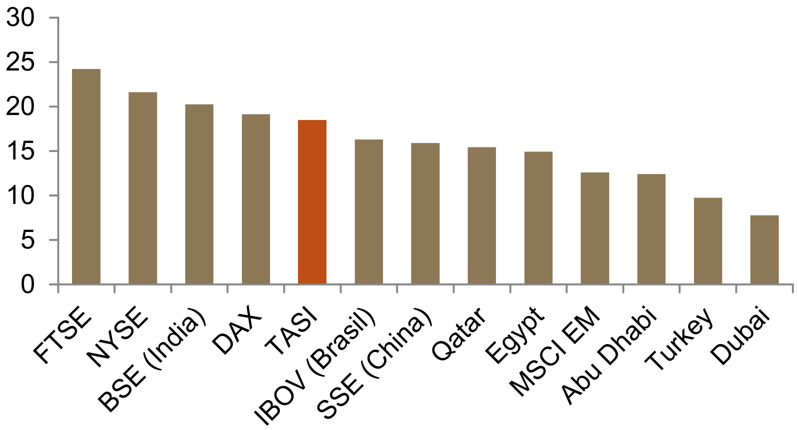
The TASI's PE is moving above the two year average, suggesting it is becoming more expensive…

TASI Price-to-Earnings ratio



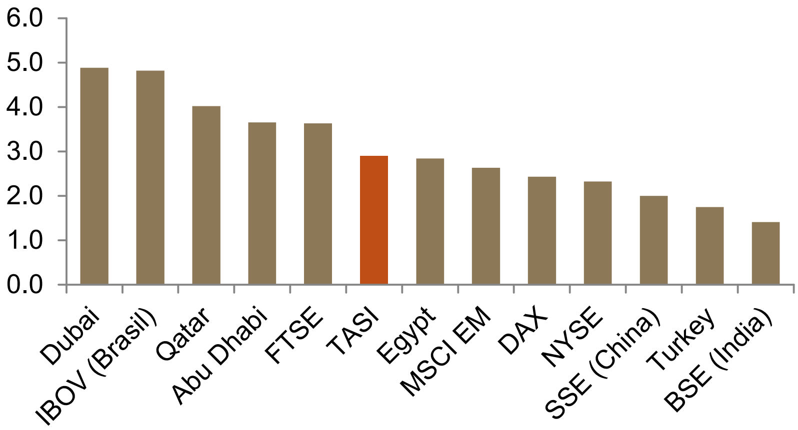
...especially so when compared to regional indices…

Comparative Price-to-Earnings ratios
(end of month)



...although dividend yield is comparatively stronger.

TASI Dividend Yield ratios
(end of month)

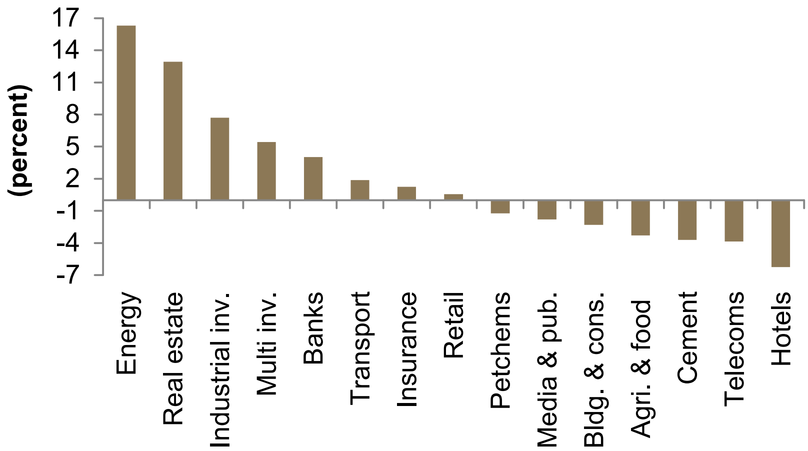


Sectoral Performance

Eight of 15 sectors recorded a positive performance in February.

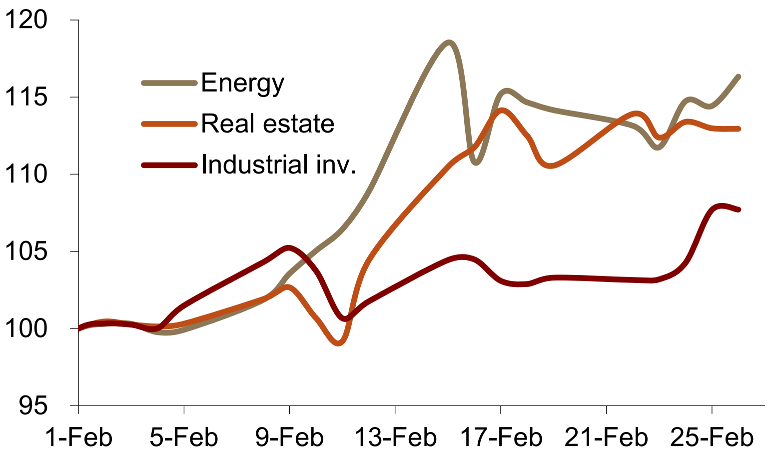
Eight out of 15 sectors recorded positive performance in February. The energy sector was the best performer as it benefitted from a dividend announcement. The worst performing sector was hotels, which was affected by seasonality.

Performance by sector
(rebased; 1 February, 2015 = 100)



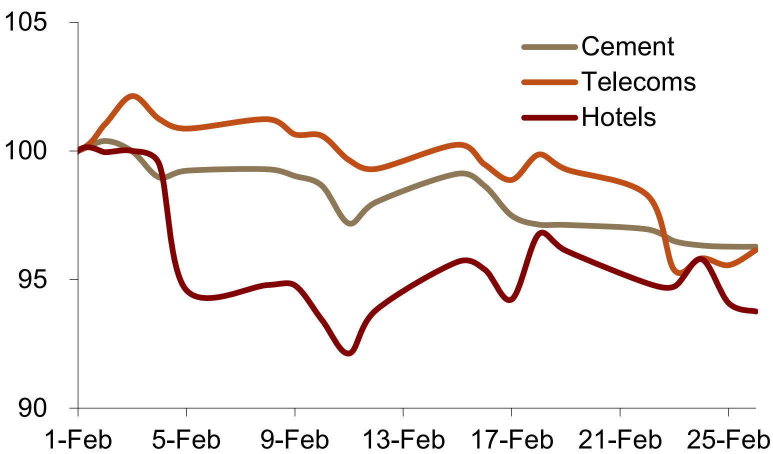
The energy sector was boosted by a dividend announcement, whilst real estate and industrial investment benefitted from improved sentiment over oil prices.

Best Performing Sectors
(rebased; 1 February, 2015 = 100)



The cement sector was down due profit-taking, telecoms is still suffering from previous regulatory issues and hotels was affected by seasonality.

Worst Performing Sectors
(rebased; 1 February, 2015 = 100)



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	2,822	2,758	2,874
($ billion)	519.8	429.1	526.8	669.5	734.0	744.3	752.5	735.5	766.4
(% change)	25.0	-17.4	22.8	27.1	9.6	1.4	1.1	-2.3	4.2
Real GDP (% change)									
Oil	4.3	-8.0	-0.1	12.2	5.1	-1.6	1.7	-0.6	-1.6
Non-oil private sector	11.1	4.9	9.7	8.0	5.5	7.0	5.7	5.5	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	3.6	2.5	1.8
Oil indicators (average)									
Brent ($/b)	97.2	61.7	79.8	112.2	112.4	109.6	99.4	79.0	83.0
Saudi ($/b)	94.0	60.4	77.5	103.9	106.1	104.2	95.7	75.0	79.0
Production (million b/d)	9.2	8.2	8.2	9.3	9.8	9.6	9.7	9.6	9.4
Budgetary indicators (SR billion)									
Government revenue	1,101	510	742	1,118	1,247	1,156	1,046	836	738
Government expenditure	520	596	654	827	873	976	1,100	1,101	978
Budget balance	581	-87	88	291	374	180	-54	-265	-241
(% GDP)	29.8	-5.4	4.4	11.6	13.6	6.5	-1.9	-9.6	-8.4
Domestic debt	235	225	167	135	99	60	44	40	38
(% GDP)	12.1	14.0	8.5	5.4	3.6	2.2	1.6	1.4	1.3
Monetary indicators (average)									
Inflation (% change)	6.1	4.1	3.8	3.7	2.9	3.5	2.7	2.6	2.9
SAMA base lending rate (%, year end)	2.5	2.0	2.0	2.0	2.0	2.0	2.0	2.75	4.25
External trade indicators ($ billion)									
Oil export revenues	284.1	166.9	215.2	317.6	337.5	323.1	265.1	214.1	191.4
Total export revenues	313.5	192.3	251.1	364.7	388.4	377.0	320.6	272.3	255.1
Imports	100.6	86.4	97.4	120.0	141.8	152.7	149.5	160.5	159.8
Trade balance	212.8	105.9	153.7	244.7	246.6	224.3	171.1	111.8	95.3
Current account balance	132.3	21.0	66.8	158.5	164.8	134.3	81.3	24.1	6.6
(% GDP)	25.5	4.9	12.7	23.7	22.4	18.0	10.8	3.3	0.9
Official reserve assets	442.7	410.1	445.1	544.0	656.6	725.7	732.4	722.7	717.3
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	24,454	23,330	23,757

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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