



Summary

Real Economy: The non-oil PMI rebounded in September, month-on-month, rising to 58.6, the highest reading since 2015, supported by improving business activity.

Consumer Spending: Consumer spending trended higher in September, as POS transactions rose by 20 percent year-on-year, whilst ATM withdrawals continued to decline by 14 percent year-on-year during the month.

Industrial Sector: The non-oil manufacturing index rebounded in August to rise by almost 5 percent year-on-year. Meanwhile, more recent data showed the monthly value of licensed investments in new factories stood at almost SR1 billion in September.

Government Finance: The net monthly change to government accounts with SAMA rose by SR51 billion in September. The monthly increase came mainly from government deposits.

SAMA Foreign Reserve Assets: SAMA FX reserves rose in September by \$10.7 billion month-on-month, to stand at almost \$466 billion. A breakdown of FX reserves shows that the monthly rise mostly came from a rise in bank deposits.

Money Supply, Bank Deposits and Credit: The broad measure of money supply (M3) rose by 8.4 percent year-on-year, and by 1 percent month-on-month in September. Total deposits rose by 9.4 percent year-on-year.

Inflation: Prices in September rose by 0.6 percent year-on-year, and by 0.2 percent month-on-month. Within the CPI basket, 'food and beverages' rose by 2.4 percent year-on-year, and 0.7 percent month-on-month.

Real Estate: Real estate prices rose by 0.5 percent in Q3 2021, year-on-year. Within this, residential real estate prices were up 1.1 percent, whilst commercial real estate prices were down 0.7 percent, year-on-year.

Q3 Budget Statement: The Q3 Budget Statement showed that government revenue totaled SR243 billion in Q3 2021, up 13 percent, or SR27.8 billion, year-on-year. Meanwhile, government expenses declined by 8 percent year-on-year in Q3 2021 to SR237 billion. As a result, Q3 registered a fiscal surplus amounting to SR6.7 billion, with the year-to-Q3 2021 deficit at -SR5.4 billion.

Oil-Global: Brent oil prices averaged \$84 per barrel (pb) during October, up 13 percent month-on-month, as oil demand trended higher. More specifically, huge rises in the price of natural gas has prompted buyers to look for alternatives, with crude oil being one substitute for gas in electricity generation.

Oil-Regional: Saudi crude oil production rose 1 percent (or 100 thousand barrels per day) month-on-month in September to 9.6 million barrels per day (mbpd), in line with OPEC+ agreed levels. As it stands, the Kingdom's oil output should reach 10 mbpd by the end of this year.

Stock Market: TASI rose by around 2 percent month-on-month in October to 15 year highs as the rising oil prices helped fuel optimism. On the year-to-date basis, TASI is now up 31 percent.

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Real Economy

The non-oil PMI rebounded in September, month-on-month, rising to 58.6, the highest reading since 2015, supported by improving business activity. Meanwhile, cement sales and production declined in September, by 9.5 and 8.7 percent year-on-year, respectively. Latest available data for August shows that non-oil exports were up 27 percent year-on-year, and 9 percent month-on-month.

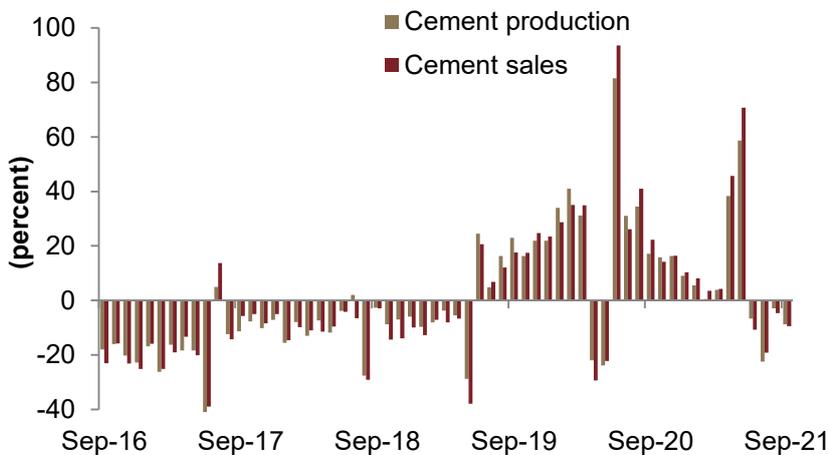
The non-oil PMI rebounded in September, month-on-month, rising to 58.6, the highest reading since 2015, supported by improving business activity and new work.

Non-oil Purchasing Managers' Index



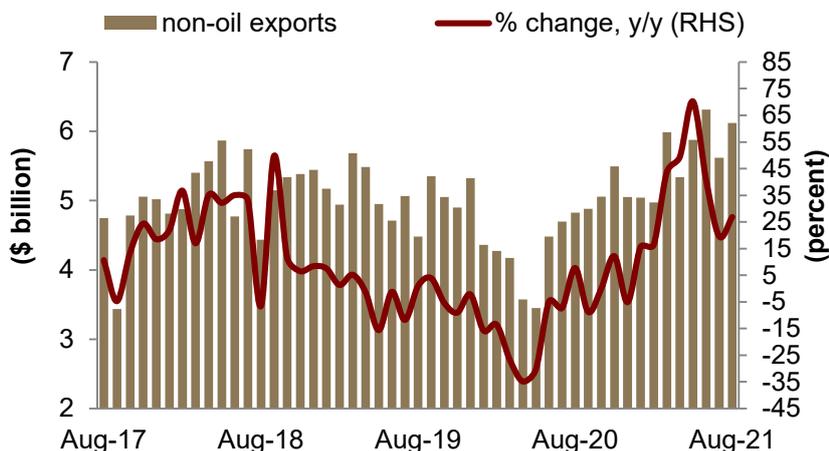
Cement sales and production declined in September, by 9.5 and 8.7 percent year-on-year, respectively, the fourth monthly decline in a row.

Cement Sales and Production
(year-on-year change)



Non-oil exports were up 27 percent year-on-year, and 9 percent month-on-month, as exports from 'petrochemicals' and 'plastics & rubber' were up on yearly and monthly basis.

Non-Oil Exports
(year-on-year change)





Consumer Spending

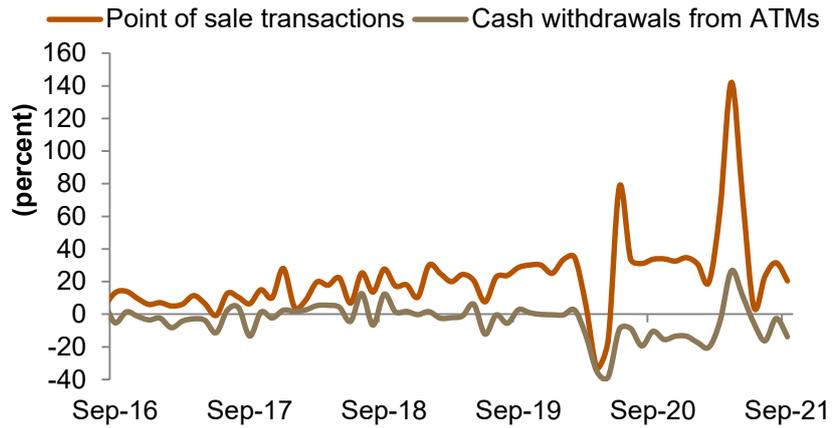
Consumer spending trended higher in September, as POS transactions rose by 20 percent year-on-year, although ATM withdrawals continued to decline by 14 percent year-on-year. On a monthly basis, overall consumer spending was down 2 percent. Looking at spending on a sectorial level, 'electronics and electric devices' was the only sector to see a decline during the month, year-on-year.

POS transactions rose by 20 percent year-on-year, whilst ATM withdrawals continued to decline by 14 percent year-on-year, down for the fourth month in a row.

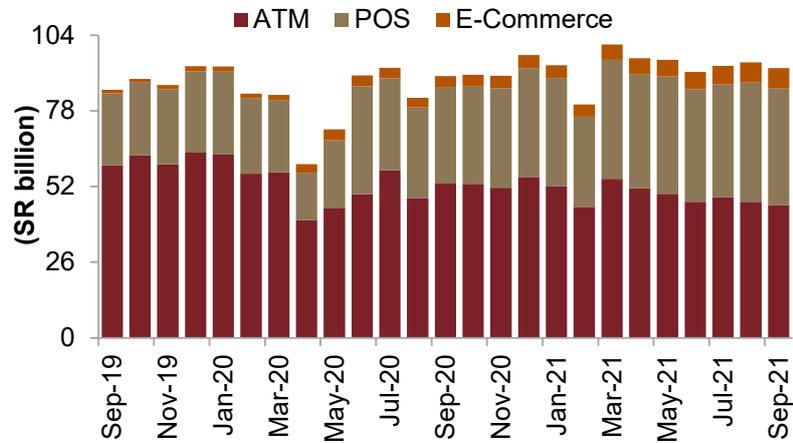
On a monthly basis, overall consumer spending was down 2 percent, a trend we expect to reverse in Q4, due to anticipated higher spending during "Saudi Seasons".

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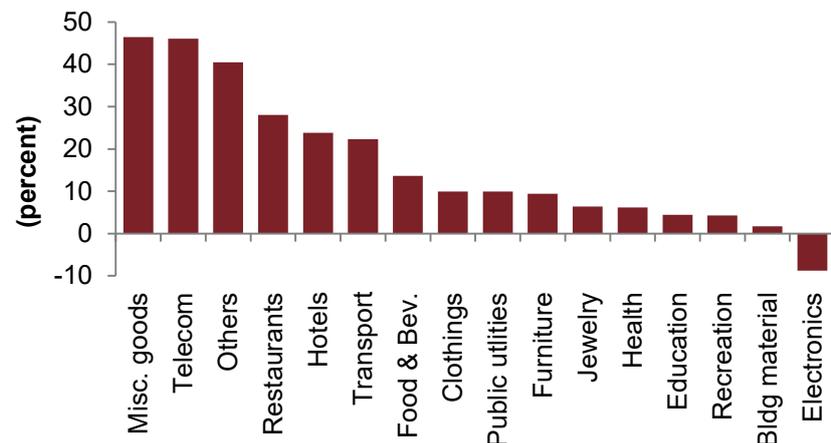
Indicators of Consumer Spending
(year-on-year change)



Monthly Consumer Spending
(SR Billion)



POS Transactions by Sector
(year-on-year change)





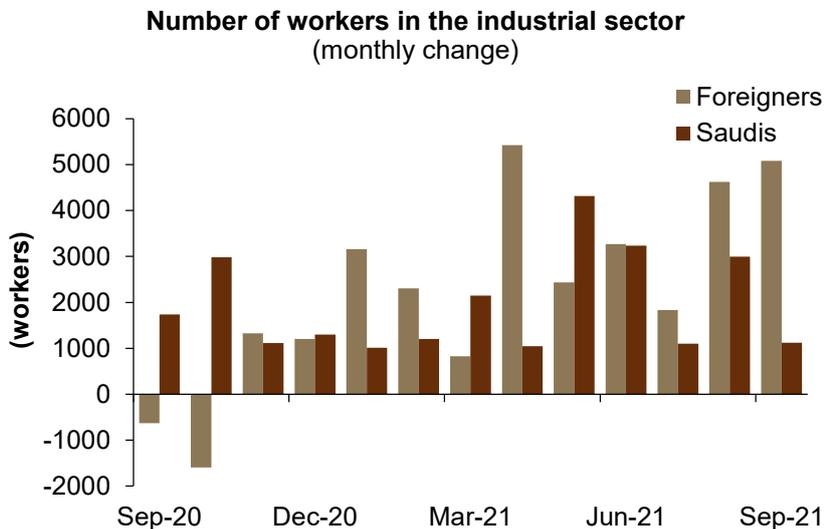
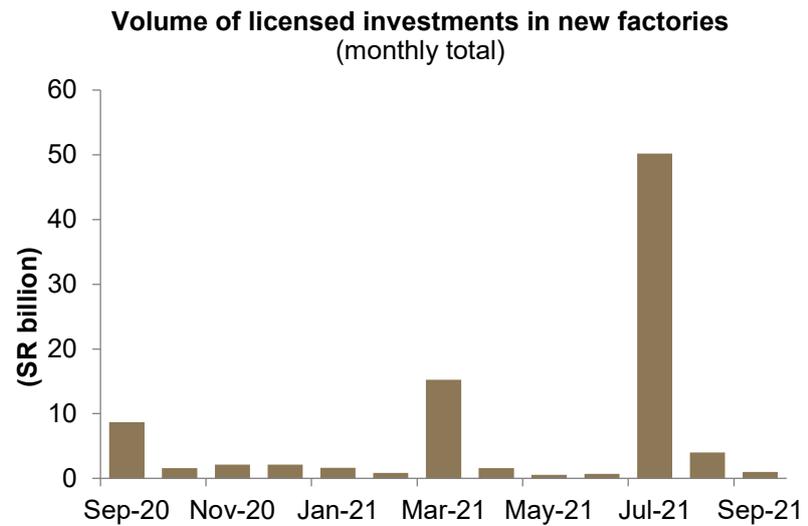
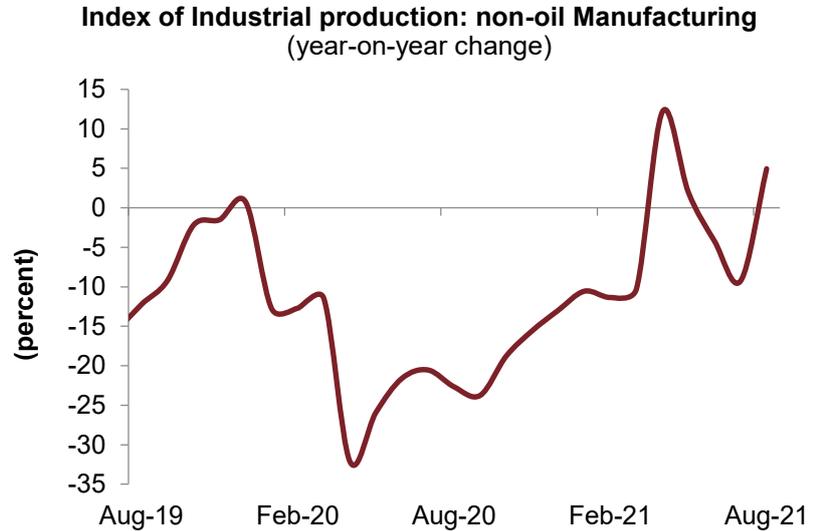
Industrial sector

The non-oil manufacturing index rebounded in August to rise by almost 5 percent year-on-year. Meanwhile, more recent data showed the monthly value of licensed investments in new factories stood at almost SR1 billion in September. Moreover, the month saw 6,203 net new hires in the industrial sector.

The non-oil manufacturing index rebounded in August to rise by almost 5 percent year-on-year, registering the largest annual rise in four months.

Meanwhile, more recent data showed the monthly value of licensed investments in new factories stood at almost SR1 billion in September, with a total of 76 new factories licensed during the month.

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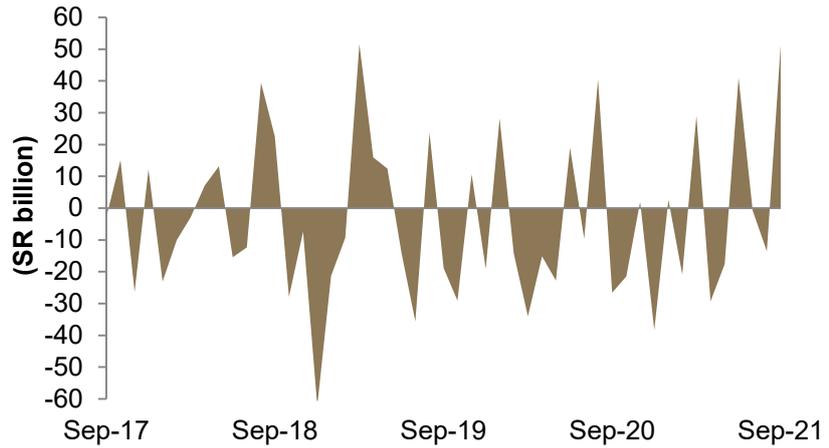


Government Finance

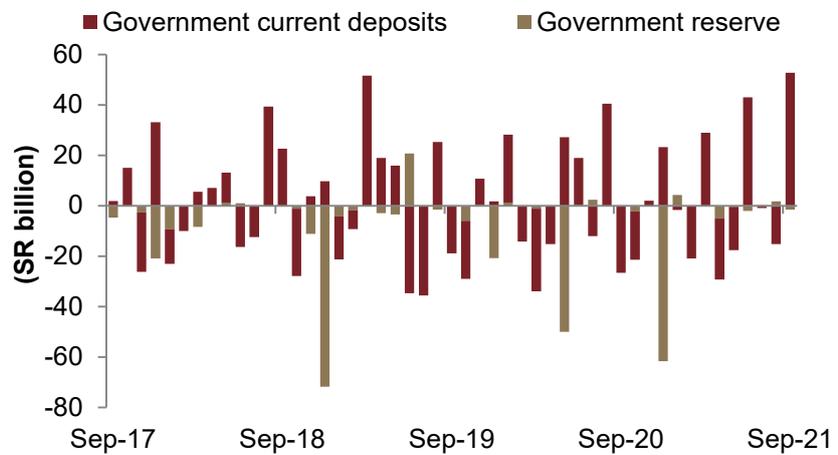
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Net Change to Government Accounts with SAMA
(month-on-month change)

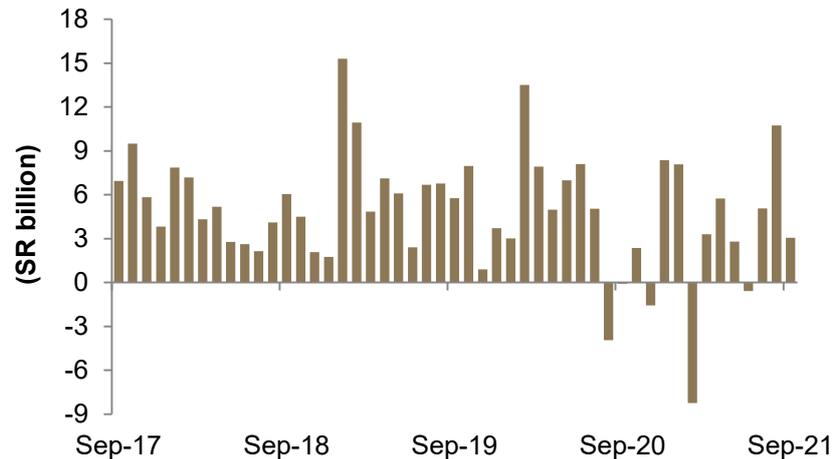


Breakdown of Government Accounts with SAMA
(month-on-month change)



The monthly increase came mainly from government deposits, which rose by almost SR53 billion, whilst government reserves were down during the month by SR1.5 billion.

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



Meanwhile, domestic bank holdings of government bonds increased in September by SR3.1 billion, as the Ministry of Finance (MoF) announced it closed the September issuance under the government sukuk program at SR6.7 billion.

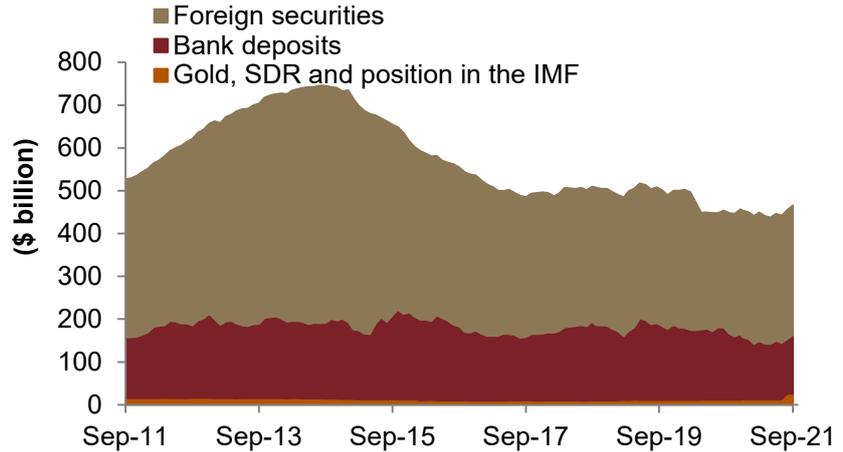


SAMA Foreign Reserve Assets

SAMA FX reserves rose in September by \$10.7 billion month-on-month, to stand at almost \$466 billion. A breakdown of FX reserves shows that the monthly rise mostly came from a rise in bank deposits, which rose by \$9.5 billion during the month, in addition to a rise in foreign securities by \$1.4 billion.

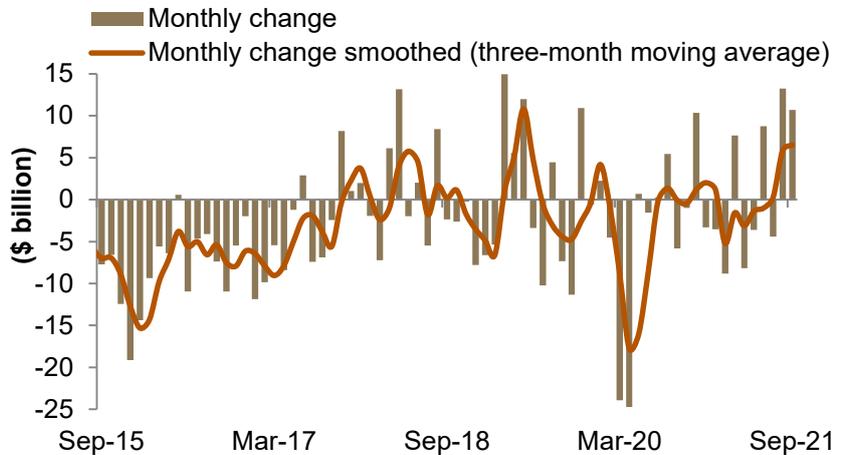
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SAMA Total Foreign Reserve Assets



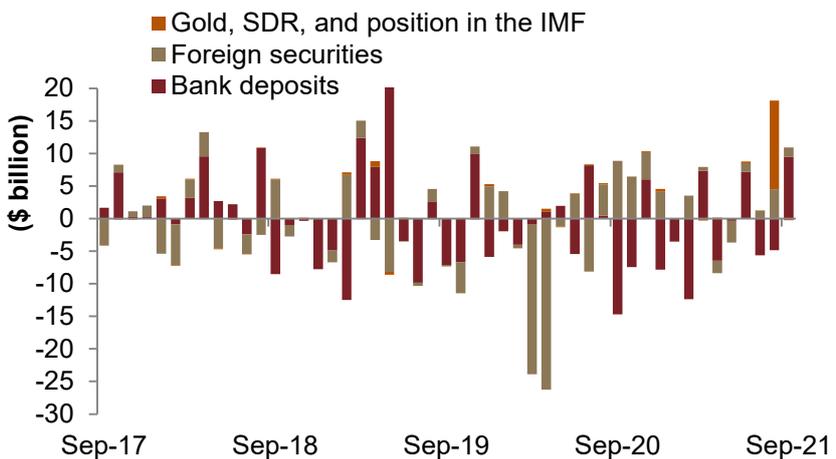
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SAMA Foreign Reserve Assets (September 2021)



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SAMA Foreign Reserve Assets (month-on-month change)



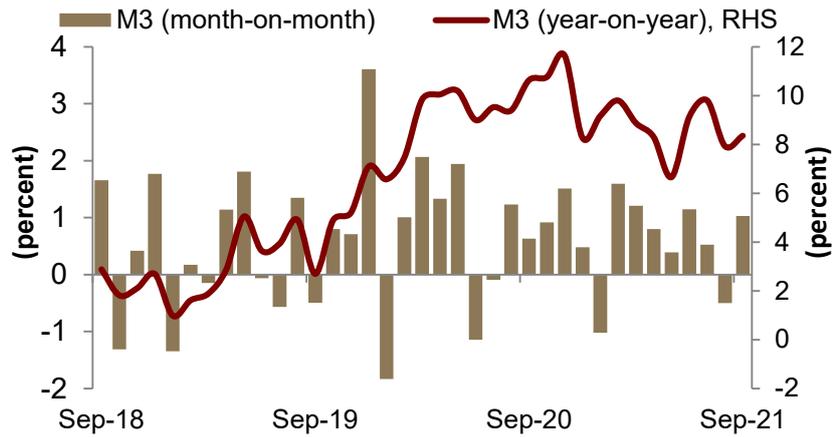


Money Supply, Bank Deposits and Credit

The broad measure of money supply (M3) rose by 8.4 percent year-on-year, and by 1 percent month-on-month in September. Total deposits rose by 9.4 percent year-on-year. Within this segment, 'demand deposits' were up by 8.3 percent, year-on-year, supported by a rise in government deposits by 19 percent year-on-year. Meanwhile, residential new mortgages for individuals declined by 5 percent year-on-year, and by 5 percent month-on-month.

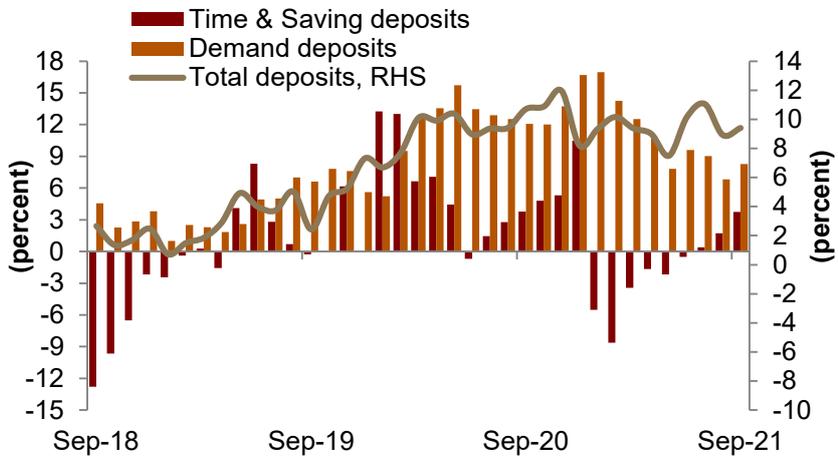
M3 rose by 8.4 percent year-on-year, and by 1 percent month-on-month in September.

Growth in Money Supply



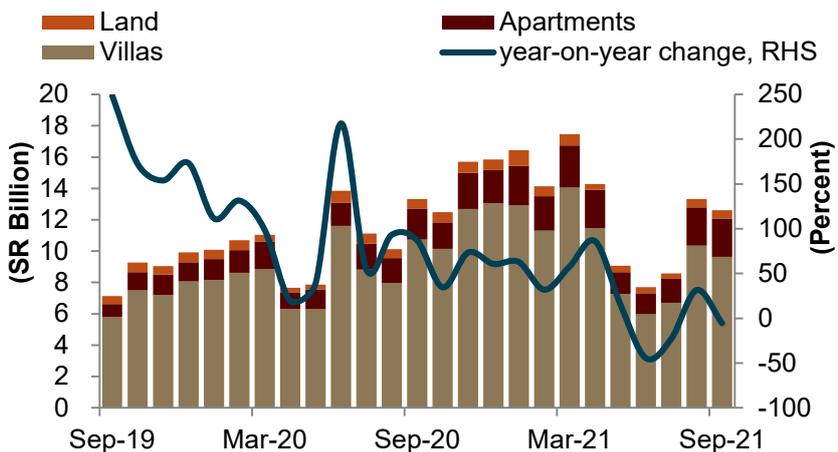
Total deposits rose by 9.4 percent year-on-year. Within this segment, 'demand deposits' were up by 8.3 percent, year-on-year, supported by a rise in 'government demand deposits' by 19 percent year-on-year.

Breakdown of Total Deposits
(year-on-year change)



Meanwhile, residential new mortgages for individuals declined by 5 percent year-on-year, and by 5 percent month-on-month.

Residential New Mortgages for Individuals
(provided by banks and financial companies)

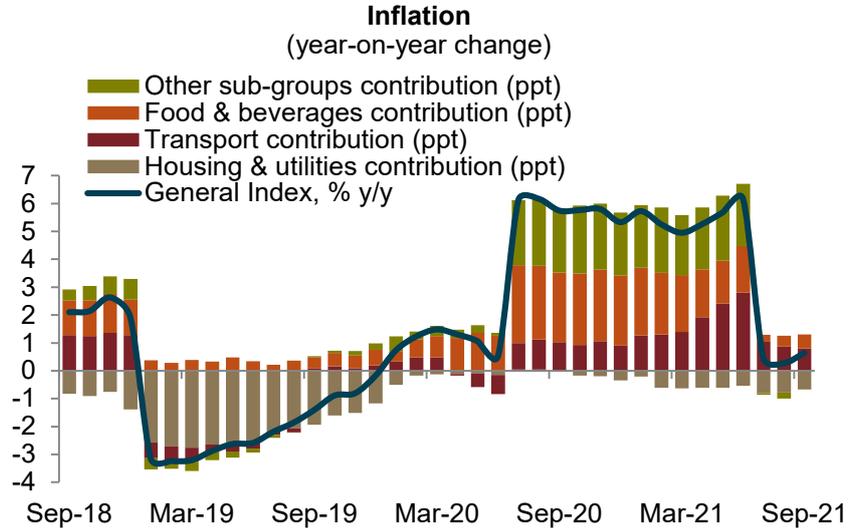




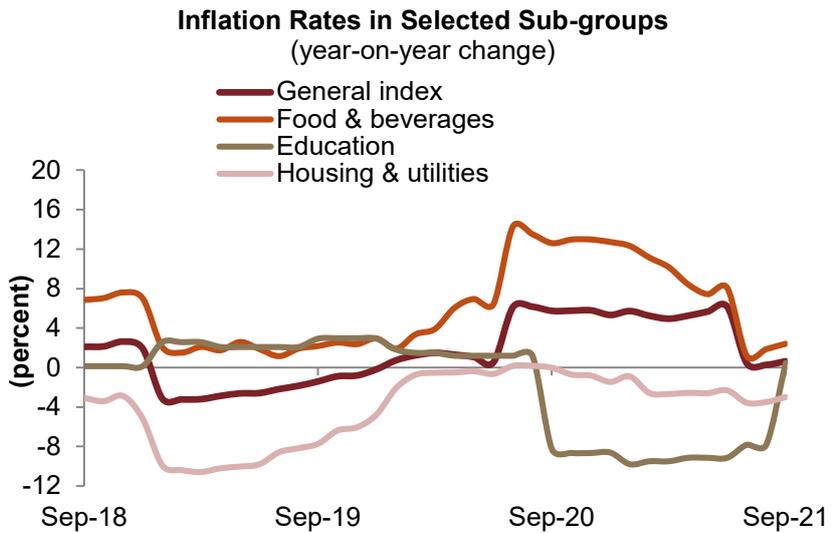
Inflation

Prices in September rose by 0.6 percent year-on-year, and by 0.2 percent month-on-month. Within the CPI basket, 'food and beverages' rose by 2.4 percent year-on-year, and 0.7 percent month-on-month. 'Transport' prices were up by 5.9 percent year-on-year, and by 0.2 percent month-on-month. Meanwhile, 'education' saw the first annual rise since August 2020, at 0.5 percent year-on-year.

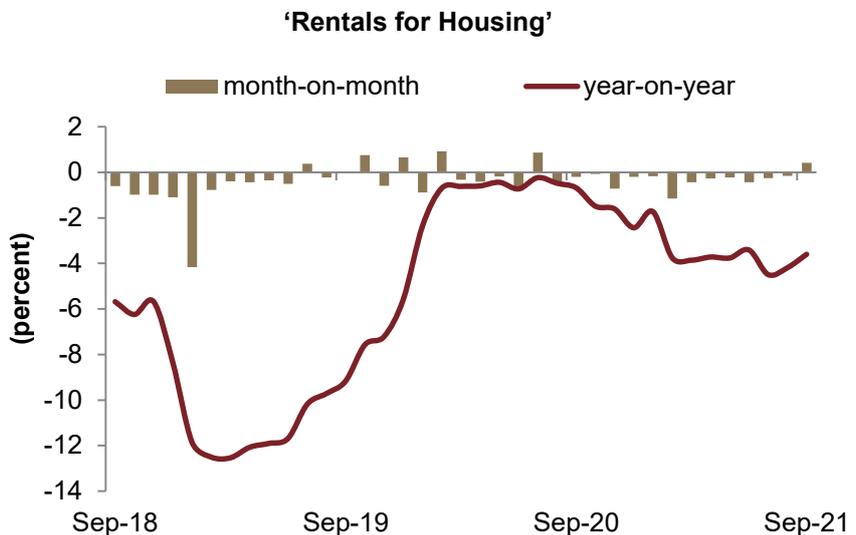
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...as 'rentals for housing' were down by 3.6 percent year-on-year, despite a marginal rise by 0.4 percent month-on-month, the first monthly rise since July 2020.

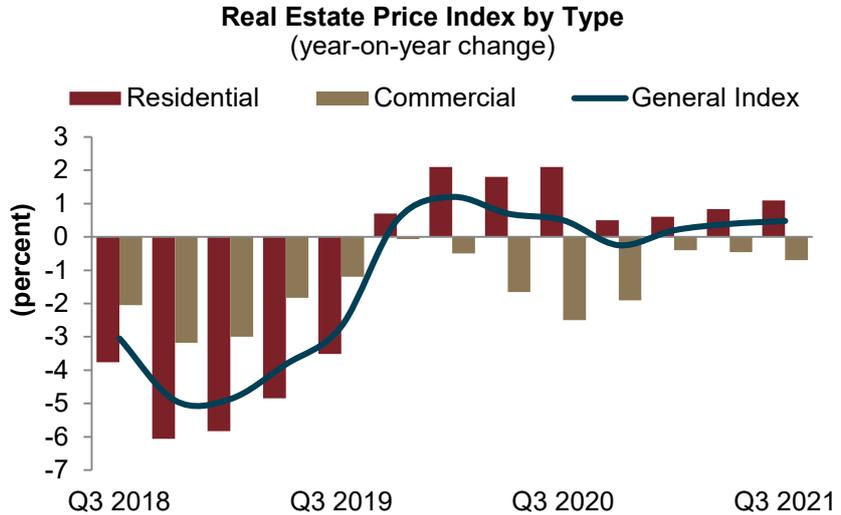




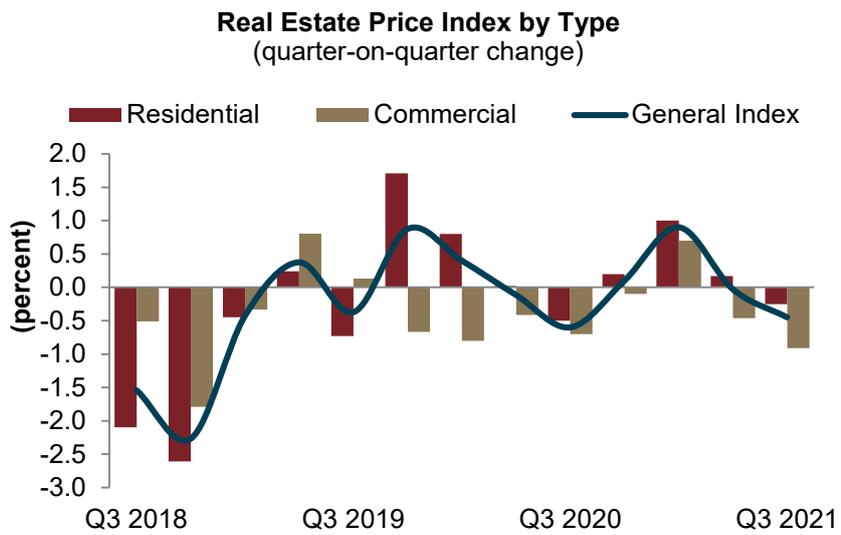
Real Estate

Real estate prices rose by 0.5 percent in Q3 2021, year-on-year. Within this, residential real estate prices were up 1.1 percent, whilst commercial real estate prices were down 0.7 percent, year-on-year. On a quarterly basis, both residential and commercial real estate prices were down by 0.3 and 0.9 percent quarter-on-quarter, respectively.

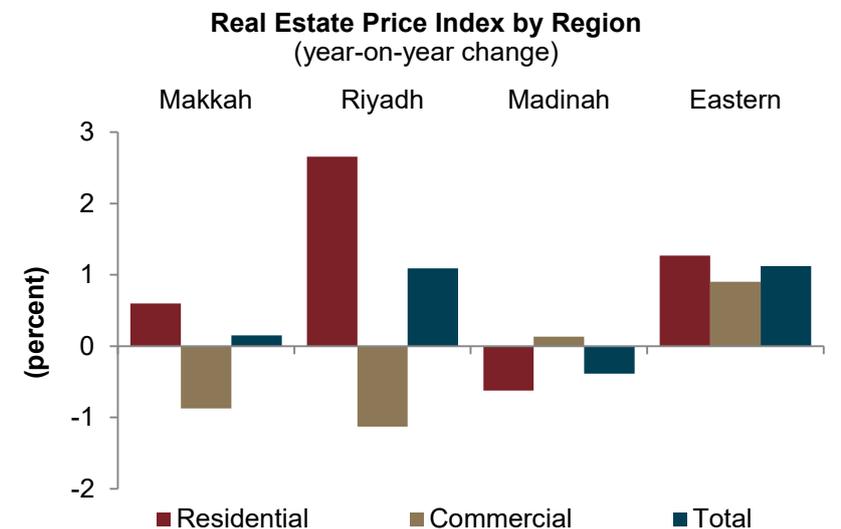
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Looking at regional prices, real estate prices in Makkah rose by 0.2 percent year-on-year (the first annual rise since Q2 2018), supported by a rise in residential real estate prices by 0.6 percent year-on-year.





Q3 Budget Statement

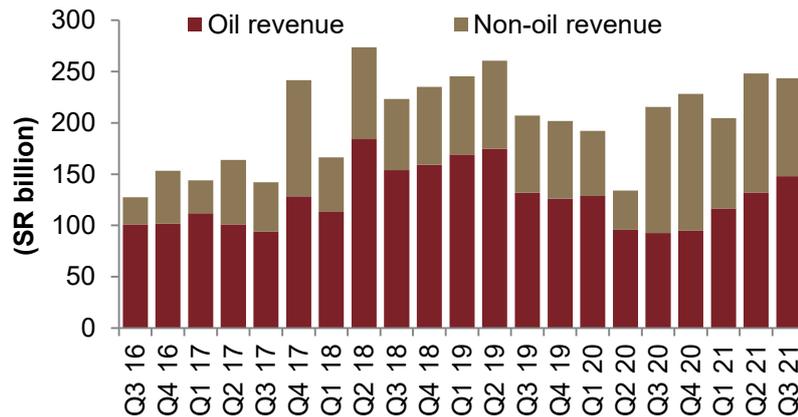
The Q3 Budget Statement showed that government revenue totaled SR243 billion in Q3 2021, up 13 percent, or SR27.8 billion, year-on-year. Meanwhile, government expenses declined by 8 percent year-on-year in Q3 2021 to SR237 billion. As a result, Q3 registered a fiscal surplus amounting to SR6.7 billion, with the year-to-Q3 2021 deficit at -SR5.4 billion.

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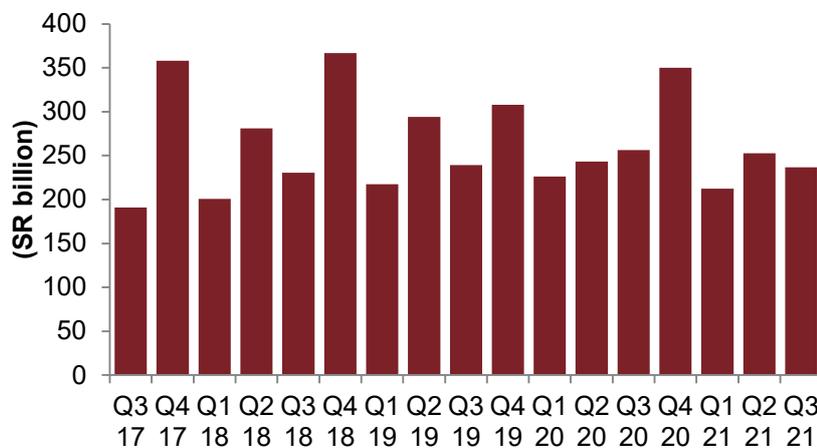
Meanwhile, government expenses declined by 8 percent year-on-year in Q3 2021 to SR237 billion.

As a result, Q3 registered a fiscal surplus amounting to SR6.7 billion, with the year-to-Q3 2021 deficit at -SR5.4 billion. The Ministry of Finance recently outlined in the [2022 Preliminary Budget Statement](#) that the fiscal deficit is expected to hit -SR85 billion (or -2.7 percent of GDP) in full year 2021, although we expect it to be lower, at around -SR67 billion (or -2.1 percent of GDP).

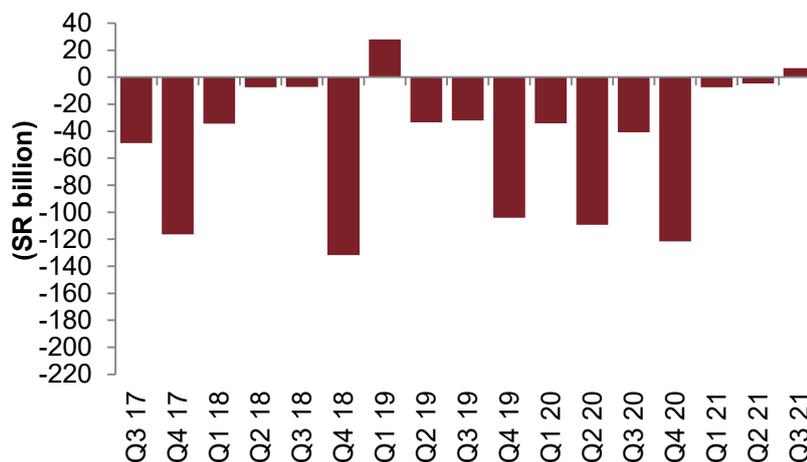
Quarterly Government Revenue
(SR billion)



Quarterly Government Expenditure
(SR billion)



Quarterly Fiscal Balance
(SR billion)

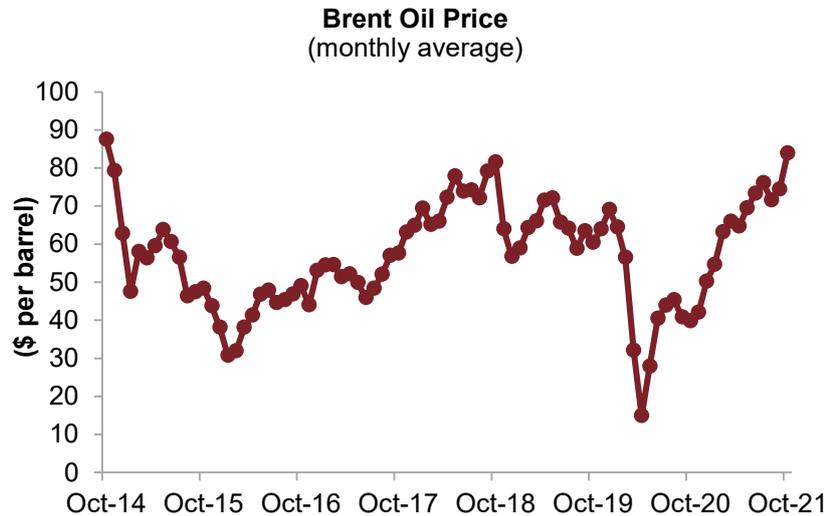




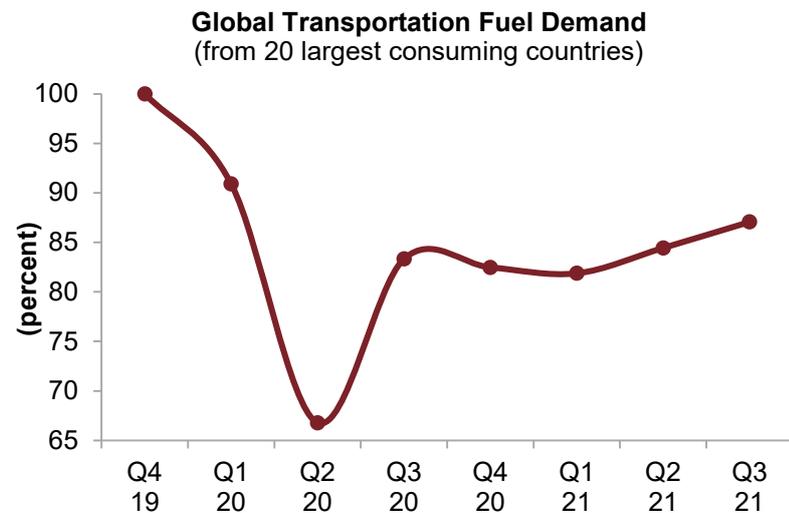
Oil - Global

Brent oil prices averaged \$84 per barrel (pb) during October, up 13 percent month-on-month, as oil demand trended higher. More specifically, the continued roll-out of vaccines across the world eased restrictions in mobility and helped lift transportation fuel closer towards pre-pandemic levels. At the same time, huge rises in the price of natural gas has prompted buyers to look for alternatives, with crude oil being one substitute for gas in electricity generation.

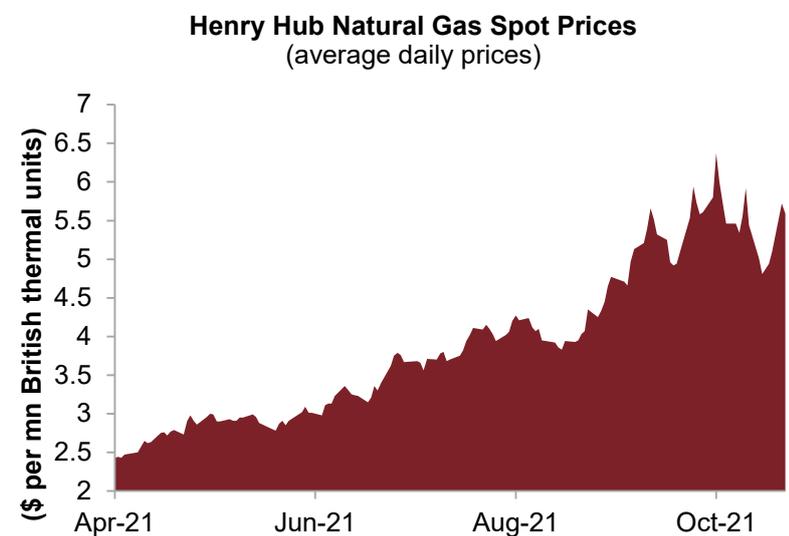
Brent oil prices averaged \$84 pb during October, up 13 percent month-on-month, as oil demand trended higher.



More specifically, the continued roll-out of vaccines across the world eased restrictions in mobility and helped lift transportation fuel (jet fuel and gasoline) closer towards pre-pandemic levels.



At the same time, huge rises in the price of natural gas has prompted buyers to look for alternatives, with crude oil being one substitute for gas in electricity generation. Looking ahead, there is a strong possibility that oil prices could trend higher in the near term if gas-to-liquid substitution accelerates during the winter months. This combined with any unplanned outages in oil output could well push oil prices towards \$100 pb.



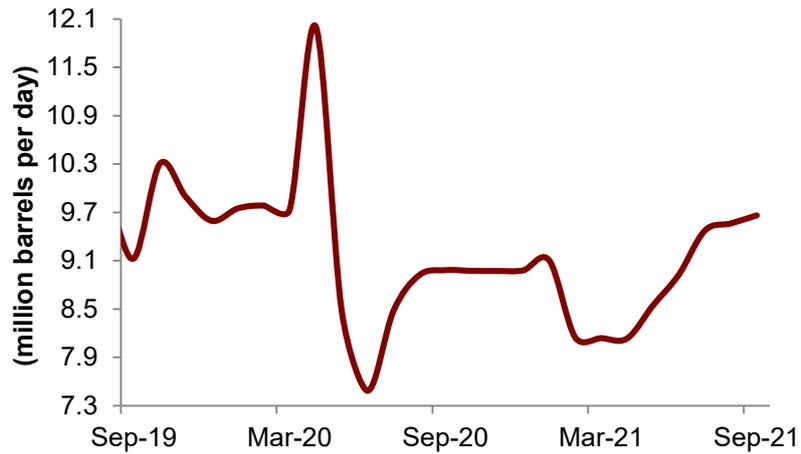


Oil - Regional

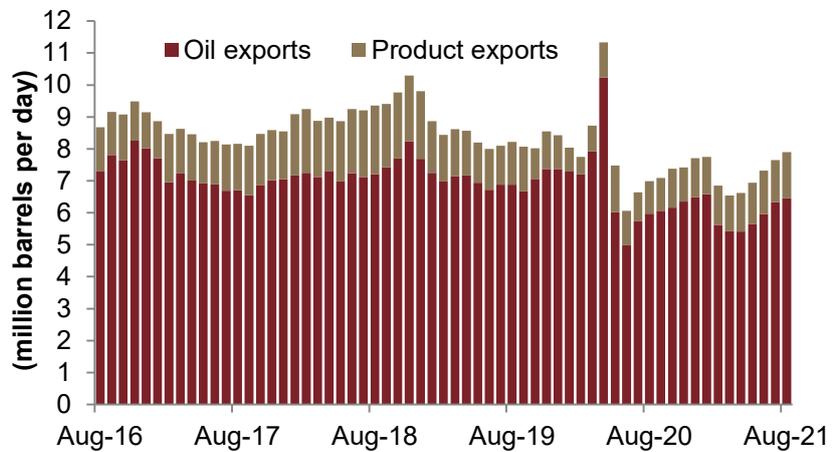
Saudi crude oil production rose 1 percent (or 100 thousand barrels per day) month-on-month in September to 9.6 million barrels per day (mbpd), in line with OPEC+ agreed levels. As it stands, the Kingdom's oil output should reach 10 mbpd by the end of this year. Meanwhile, latest available data for August shows that crude oil and refined product exports hit a 16 month high, at 7.9 mbpd.

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Average Monthly Saudi Crude Oil Production
(direct communication)

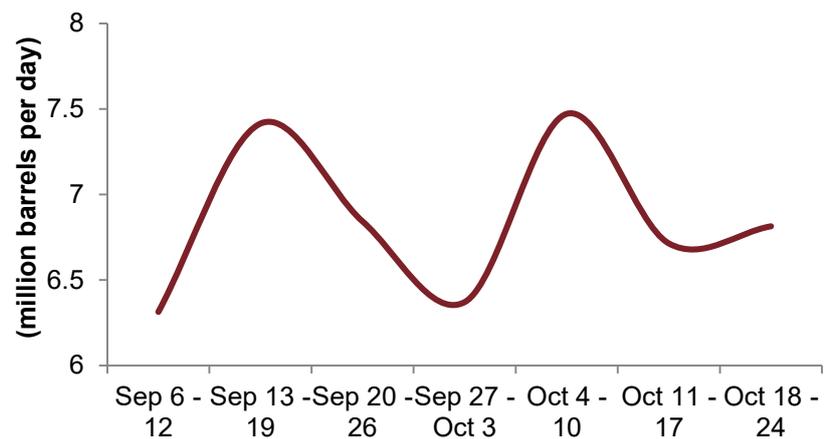


Saudi Crude Oil and Refined Product Exports
(monthly average)



Meanwhile, latest available official data for August shows that crude oil and refined product exports hit a 16 month high, at 7.9 mbpd. Of this, crude oil exports made up an average of 6.5 mbpd...

Saudi Crude Oil Exports
(weekly average)



...with unofficial estimates for both September and October showing oil exports averaging around 7mbpd.

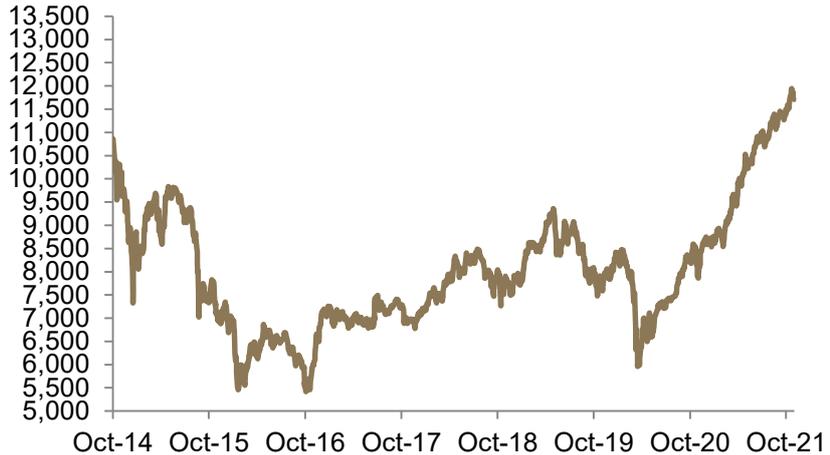


Stock Market

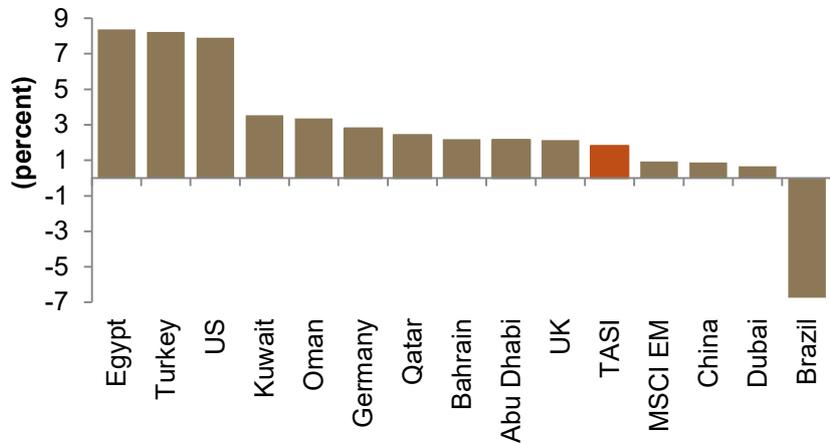
TASI rose by around 2 percent month-on-month in October to 15 year highs as the rising oil prices helped fuel optimism. On the year-to-date basis, TASI is now up 31 percent. That said, most major global and regional indices rose during the month, with TASI's monthly rise being in-line with trends around the world. Meanwhile, net purchases of SWAPs and buying by qualified foreign investors (QFIs) totaled SR20 billion (\$5.3 billion) year-to-date.

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TASI

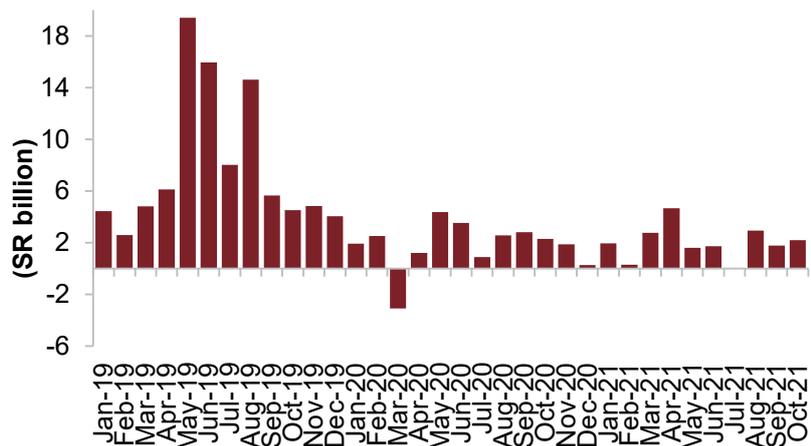


Comparative Stock Market Performance
(October 2021)



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Net Purchases of SWAPs and Buying by QFIs
(monthly total)



Meanwhile, net purchases of SWAPs and buying by qualified foreign investors (QFIs) totaled SR20 billion (\$5.3 billion) year-to-date.



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Key Data

	2015	2016	2017	2018	2019	2020	2021F	2022F	2023F
Nominal GDP									
(SR billion)	2,454	2,419	2,582	2,949	2,974	2,625	3,144	3,311	3,526
(\$ billion)	654	645	689	787	793	700	838	883	940
(% change)	-13.5	-1.4	6.8	14.2	0.8	-11.7	19.7	5.3	6.5
Real GDP (% change)									
Oil	5.3	3.6	-3.1	3.1	-3.6	-6.7	-0.7	9.4	8.5
Non-oil private sector	3.4	0.1	1.5	1.9	3.8	-3.1	4.4	2.8	3.3
Non-oil government	2.7	0.6	0.7	2.9	2.2	-0.5	1.5	1.0	1.0
Total	4.1	1.7	-0.7	2.4	0.3	-4.1	1.8	5.1	5.0
Oil indicators (average)									
Brent (\$/b)	52	43	54	71	66	42	67	65	65
Production (million b/d)	10.2	10.4	10.0	10.3	9.8	9.2	9.0	9.7	10.5
Budgetary indicators (SR billion)									
Government revenue	616	519	692	906	926	782	923	891	961
Government expenditure*	1,001	936	930	1,079	1,059	1,076	990	955	941
Budget balance	-385	-417	-238	-173	-133	-294	-67	-64	20
(% GDP)	-15.7	-17.2	-9.2	-5.9	-4.5	-11.2	-2.1	-1.9	0.6
Gross public debt	142	317	443	560	678	854	937	1013	1026
(% GDP)	5.8	13.1	17.1	19.0	22.8	32.5	29.8	30.6	29.1
Monetary indicators (average)									
Inflation (% change)	1.2	2.1	-0.8	2.5	-2.1	3.4	3.7	1.5	1.4
SAMA base lending rate (% end year)	2.0	2.0	2.0	3.0	2.3	0.75	0.75	1.25	2.5
External trade indicators (\$ billion)									
Oil export revenues	153	137	171	232	201	122	188	193	220
Total export revenues	204	184	222	294	262	174	248	257	286
Imports	159	128	123	126	140	126	136	143	148
Trade balance	44	56	98	169	121	48	111	114	138
Current account balance	-57	-24	10	72	38	-20	37	28	49
(% GDP)	-8.7	-3.7	1.5	9.2	4.8	-2.8	4.4	3.1	5.2
Official reserve assets	616	536	496	497	500	454	457	461	479
Social and demographic indicators									
Population (million)	31.0	31.7	32.6	33.4	34.2	35.0	35.4	35.8	36.3
Saudi Unemployment (15+, %)	11.5	12.5	12.8	12.7	12.0	12.6	10.5	10.3	10.0
GDP per capita (\$)	21,095	20,318	21,114	23,539	23,174	19,996	23,691	24,665	25,924

Sources: Jadwa Investment forecasts for 2021 to 2023. General Authority for Statistics for GDP and demographic indicators, Saudi Arabian Monetary Agency for monetary and external trade indicators, Ministry of Finance for budgetary indicators.

*Note: 2016 government expenditure includes SR105 billion in due payment from previous years.