



Summary

Real Economy: Economic data for November showed a positive trend. POS and cash withdrawals rose by 18 percent and 2 percent respectively, year-on-year, and the non-oil PMI index was up.

Government Finance: The net monthly change to government accounts with SAMA was down by SR7 billion month-on-month in November, affected by a decline in government reserves.

SAMA foreign Reserve Assets: SAMA FX reserves declined marginally by \$200 million month-on-month to stand at \$504.4 billion in November.

Money Supply: The broad measure of money supply (M3) rose by 2 percent in November, year-on-year, and showing a marginal rise by 0.3 percent month-on-month.

Bank Deposits: Bank deposits rose by 1.5 percent year-on-year in November, mainly due to demand deposits, which were up by 3 percent year-on-year during the month.

Bank Credit: Total bank claims rose by 5 percent in November, year-on-year. Credit to the private sector rose by 2.3 percent year-on-year, marking the highest rise in two years.

Interest Rates: SAMA raised its key interest rates, the repo and the reverse repo rate, by 25 basis points (bps) in December, following the US Federal Reserve's (Fed) interest rate hike during the month.

Inflation: Prices rose in November by 2.8 percent year-on-year, but declined by 0.3 percent month-on-month, continuing the downward trend for a fourth month in a row.

Balance of Payments: Recently released data shows that both the current and financial accounts remained in surplus in Q3 2018.

Q3 GDP: Data on Q3 real GDP showed that the economy expanded by 2.5 percent, year-on-year.

Oil-Global: Brent oil declined by 11 percent and WTI by 13 percent month-on-month in December as concerns over oil demand growth and rising oil stocks weighed negatively on outlook.

Oil-Regional: Saudi crude oil production hit a record 11.1 mbpd in November as the Kingdom pumped oil to ensure stability in supply following the re-imposition of US sanctions on Iranian oil.

Exchange Rates: The dollar saw mixed performance against a basket of currencies during December, highlighting the uncertain outlook for the greenback.

Stock Market: TASI saw only minor losses during December, whilst many global and regional markets saw sizable losses as concerns over the global economy, and tightening US monetary policy built up.

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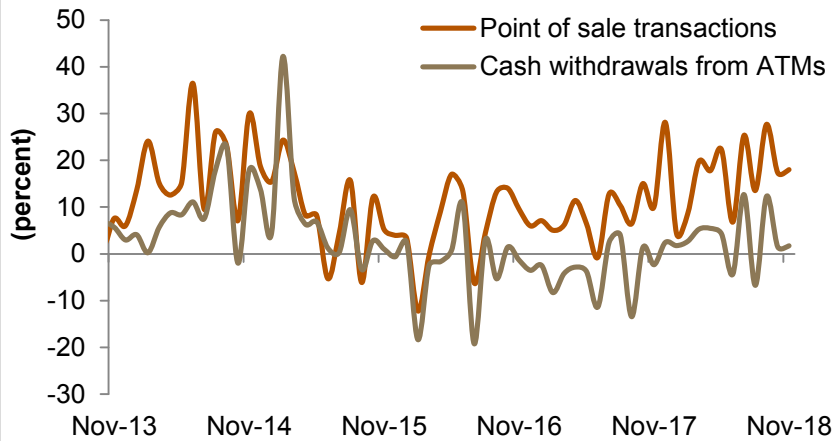


Real Economy

Economic data for November showed a positive trend. POS and cash withdrawals rose by 18 percent and 2 percent respectively, year-on-year. Moreover, non-oil PMI index was up to 55.2 in November, marking the highest point since the beginning of the year. Latest available data shows non-oil exports rose significantly in September by 41 percent year-on-year.

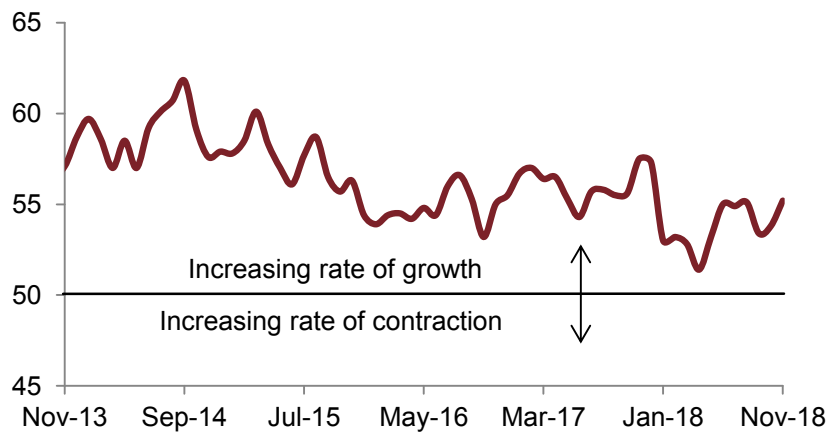
POS and cash withdrawals rose by 18 percent and 2 percent, year-on-year, respectively.

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



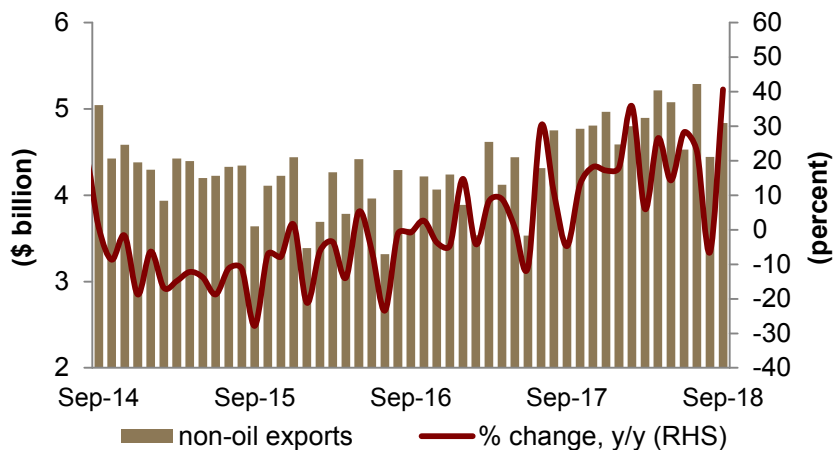
Non-oil PMI index was up to 55.2 in November, marking the highest point in 2018.

Non-oil Purchasing Manager Index



Latest available data shows non-oil exports rose significantly in September by 41 percent year-on-year, bolstered by a rebound in petrochemicals and plastics exports, which rose by 137 and 14 percent year-on-year, respectively.

Non-Oil Exports



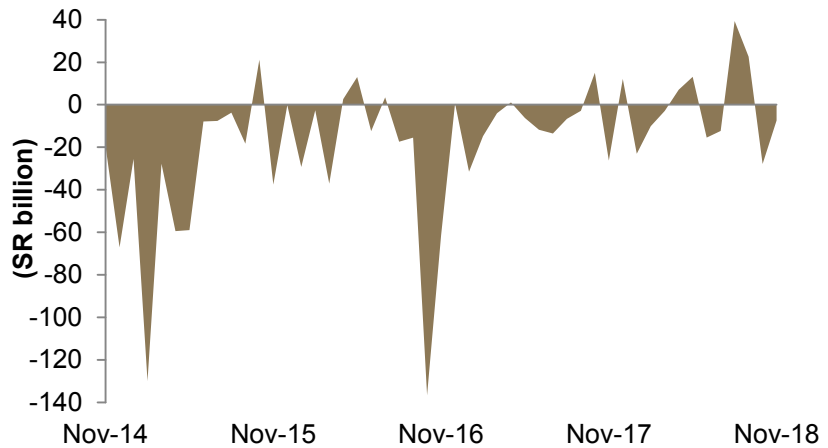


Government Finance

The net monthly change to government accounts with SAMA was down by SR7 billion month-on-month in November, affected by a decline in government reserves by SR11 billion during the month. At the same time, domestic banks net holdings of government debt rose by SR2 billion in November, after the completion of a domestic sukuk issuance during the month.

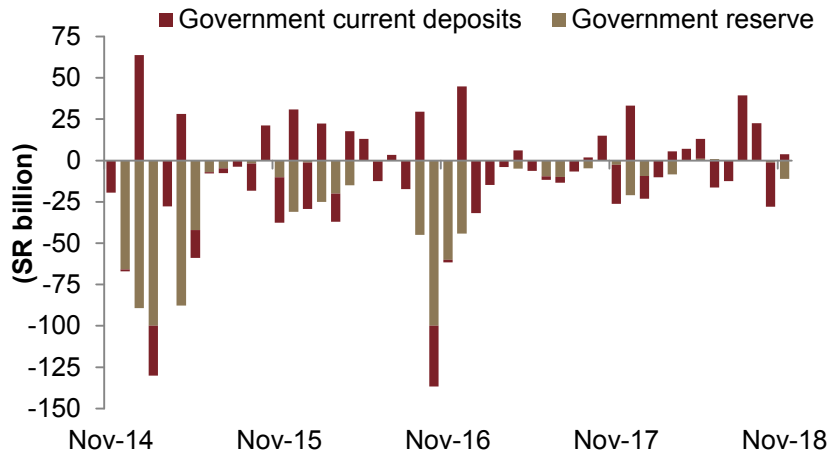
The net monthly change to government accounts with SAMA was down by SR7 billion month-on-month in November...

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



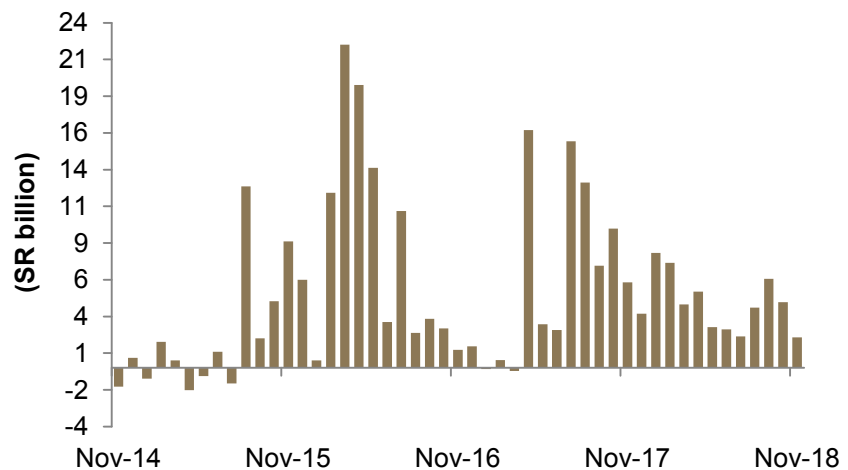
...affected by a decline in government reserves by SR11 billion during the month.

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



Domestic banks net holdings of government debt rose by SR2 billion in November, after the completion of a domestic sukuk issuance during the month.

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



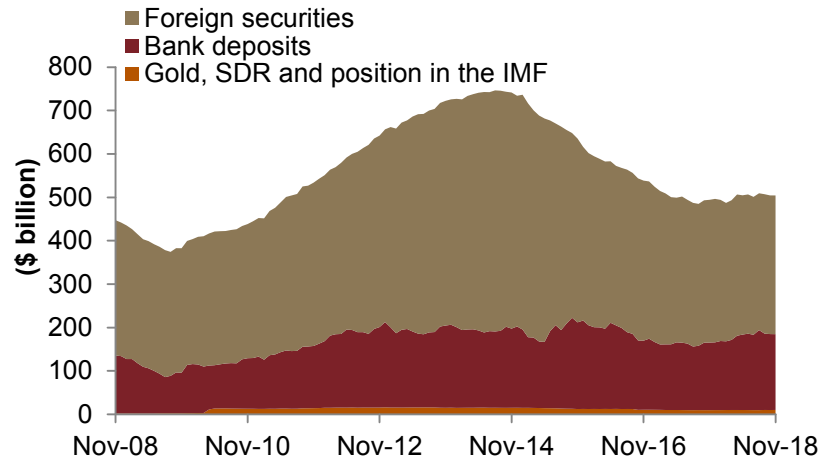


SAMA Foreign Reserve Assets

SAMA FX reserves declined marginally by \$200 million month-on-month to stand at \$504.4 billion in November. A breakdown of FX reserves shows that all items were almost unchanged during November, except for a marginal monthly decline in SAMA's bank deposits.

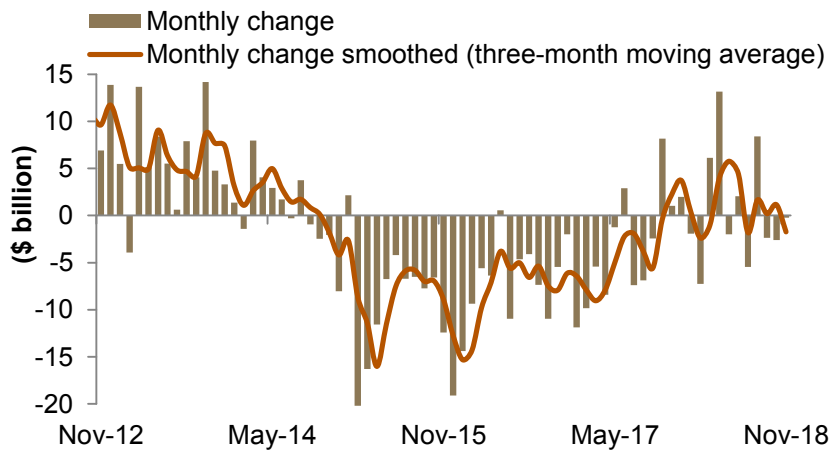
SAMA FX reserves declined marginally by \$200 million month-on-month...

SAMA Total Foreign Reserve Assets



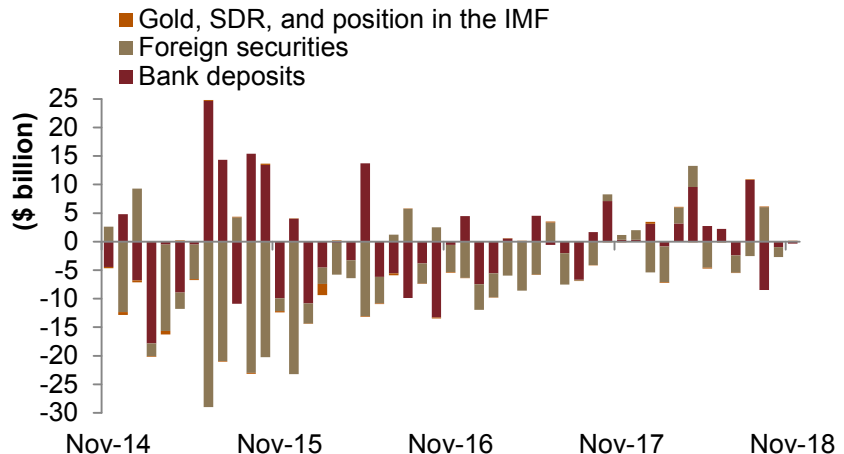
...to stand at \$504.4 billion in November.

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



All FX reserves items were almost flat during the month.

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

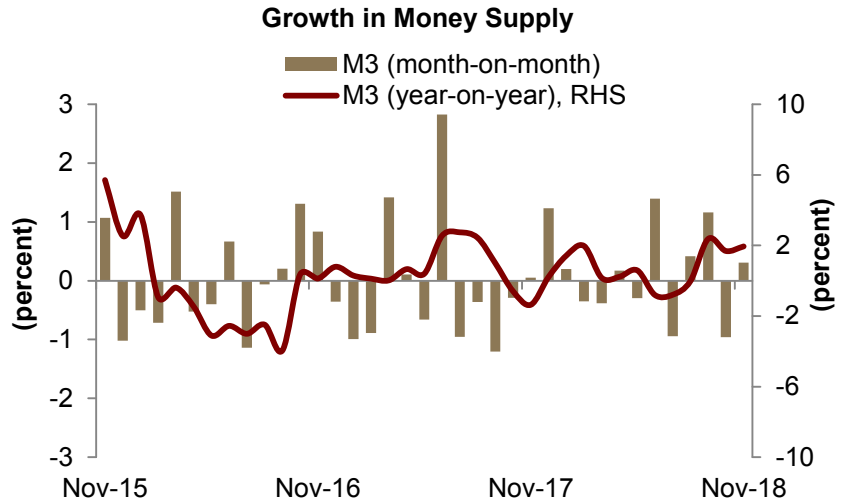




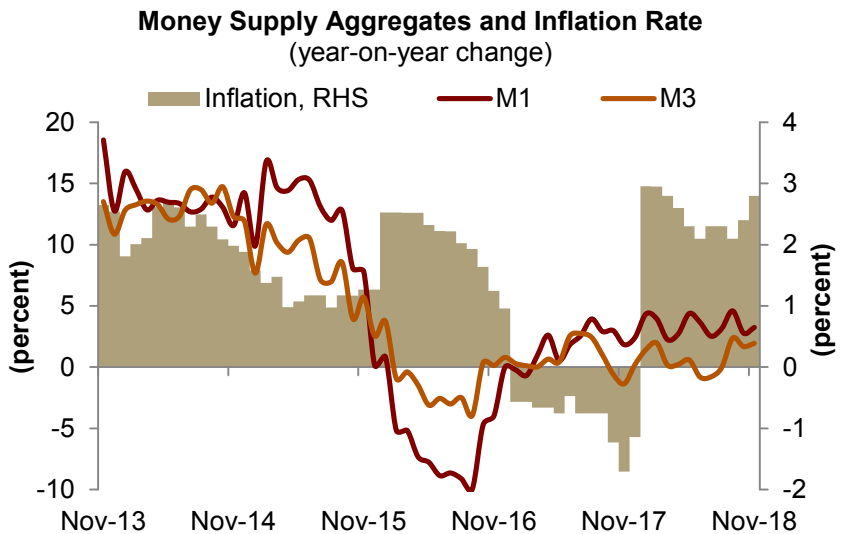
Money Supply

The broad measure of money supply (M3) rose by 2 percent in November, year-on-year, but showing only a marginal rise by 0.3 percent month-on-month. Out of all the money supply aggregates (M1, M2, M3), M1 continues to show the highest rise in November, growing by 3.2 percent year-on-year, supported by a rise in currency outside banks, which was up 6 percent, year-on-year.

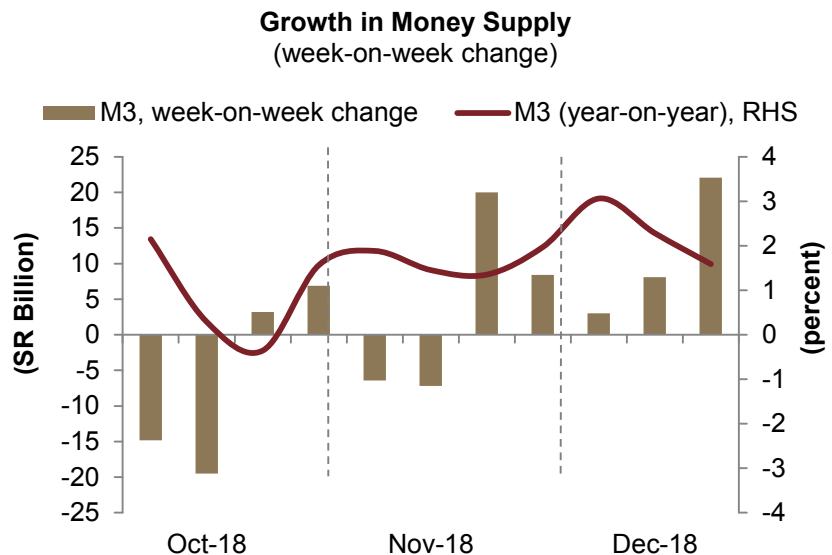
M3 rose by 2 percent in November, year-on-year, despite showing a marginal rise by 0.3 percent month-on-month.



M1 continues to show the highest rise in November, growing by 3.2 percent year-on-year, supported by a rise in currency outside banks, which was up 6 percent, year-on-year.



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

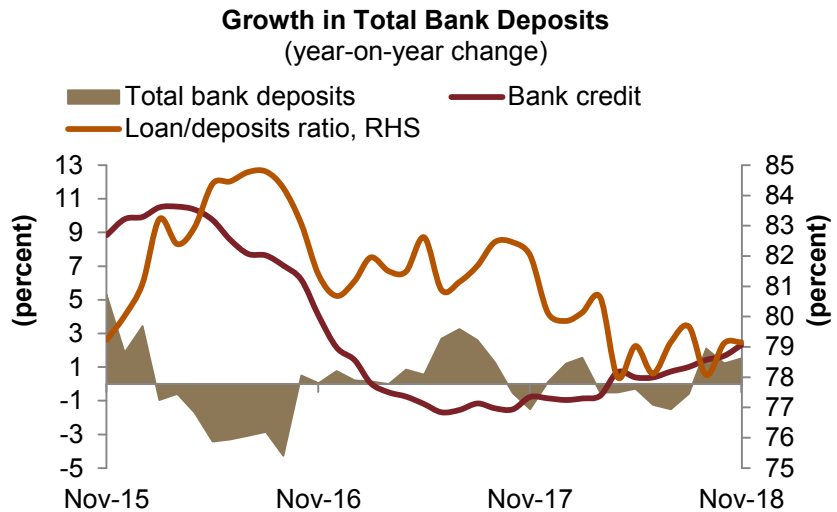




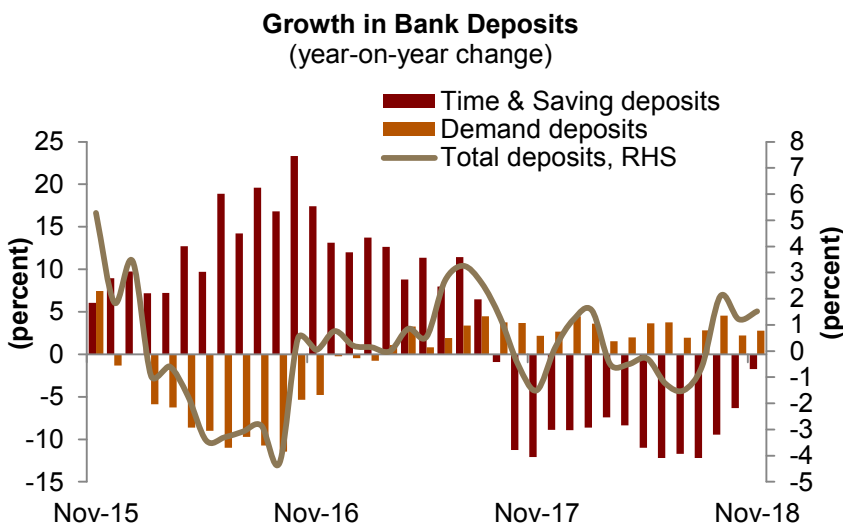
Bank Deposits

Bank deposits rose by 1.5 percent year-on-year in November, mainly due to demand deposits, which were up by 3 percent year-on-year. Meanwhile, private deposits rose by 1.4 percent year-on-year, affected by a rise in private time and saving deposits by 5.4 percent in November, marking the highest yearly rise since July 2017.

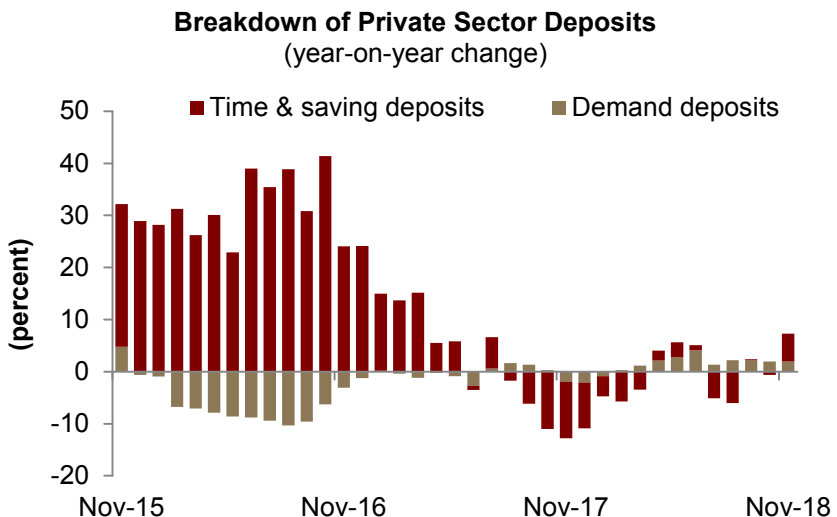
Bank deposits rose by 1.5 percent year-on-year in November...



...mainly due to demand deposits, which were up by 3 percent year-on-year.



Private time and saving deposits rose by 5.4 percent in November, marking the highest yearly rise since July 2017, which came ahead of SAMA's interest rates hike in December 2018.

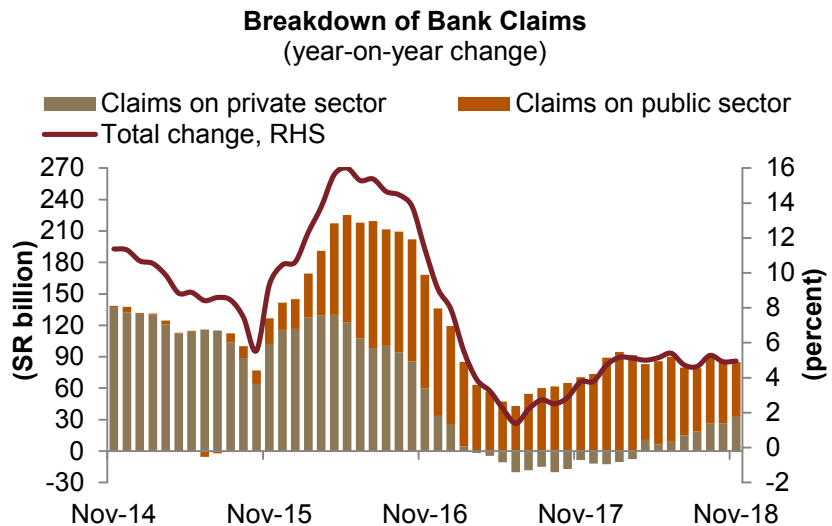




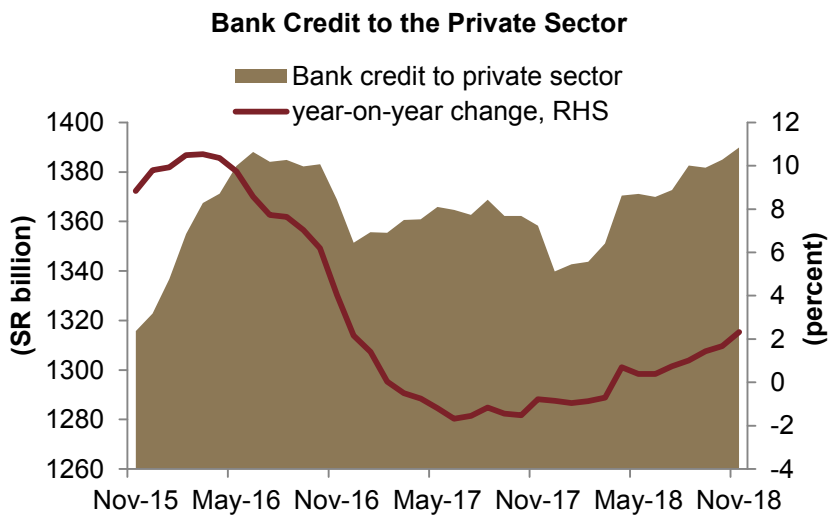
Bank Credit

Total bank claims rose by 5 percent in November, year-on-year. Claims on the public sector rose by 17 percent year-on-year. Meanwhile, credit to the private sector rose by 2.3 percent year-on-year, marking the highest rise in two years, continuing the positive trend since April 2018.

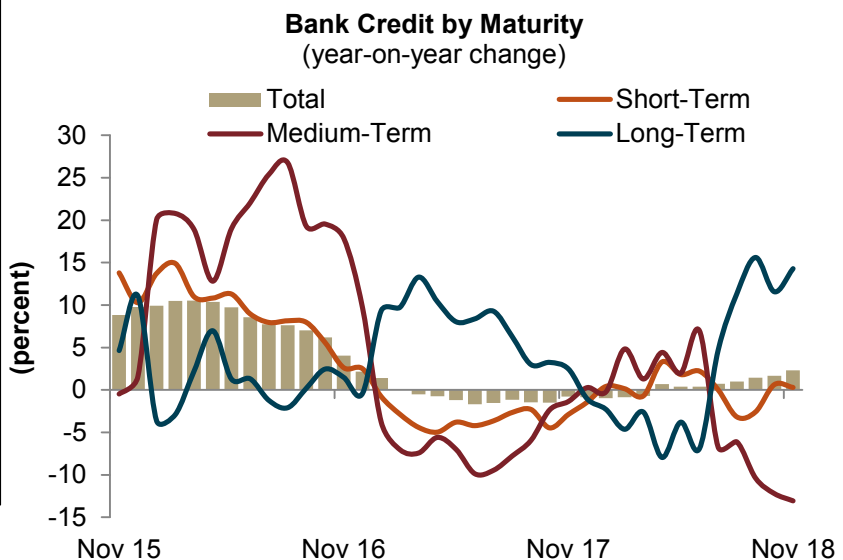
Total bank claims rose by 5 percent in November, year-on-year.



Credit to the private sector rose by 2.3 percent year-on-year, marking the highest rise in two years.



By credit maturity, long-term credit rose by 14 percent year-on-year, whilst short term credit was flat for the month. Usually, long-term credit is more related to business credit and activity.



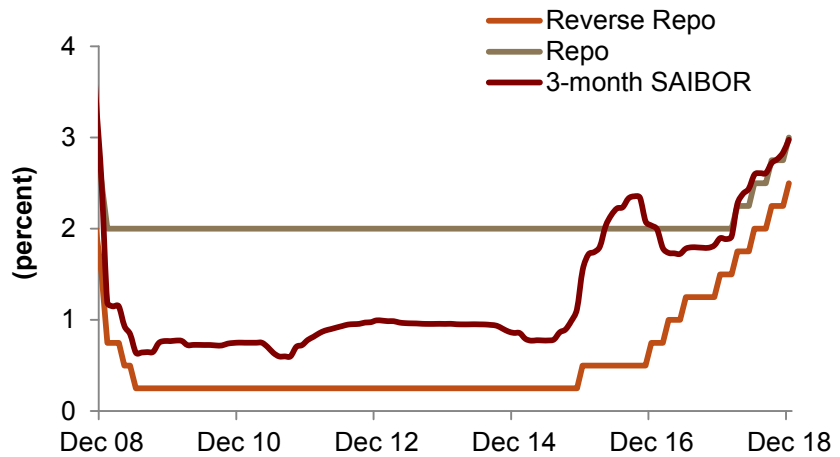


Interest Rates

SAMA raised its key interest rates, the repo and the reverse repo rate, by 25 basis points (bps) in December, following the US Federal Reserve's (Fed) interest rate hike during the month. Both SAIBOR and LIBOR were up during the month, with the SAIBOR/LIBOR spread widening. Meanwhile, there was a marginal rise in excess liquidity in the banking system in November.

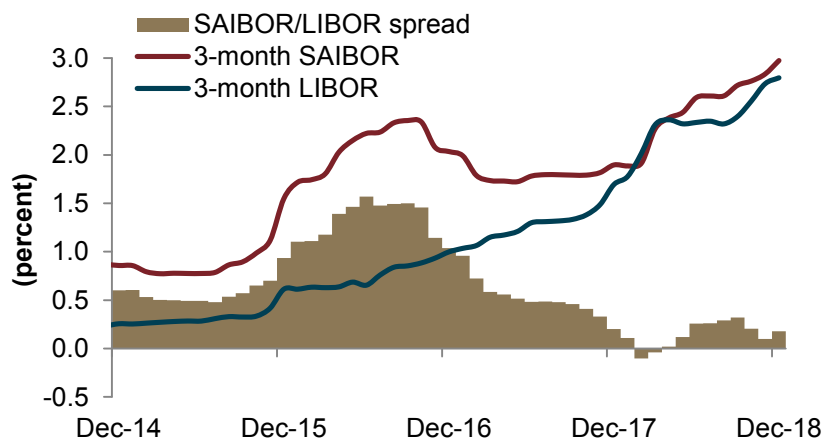
SAMA raised its key interest rates, the repo and the reverse repo rate, by 25 bps in December, following the US Fed's interest rate hike during the month.

Latest Saibor and Libor Rates



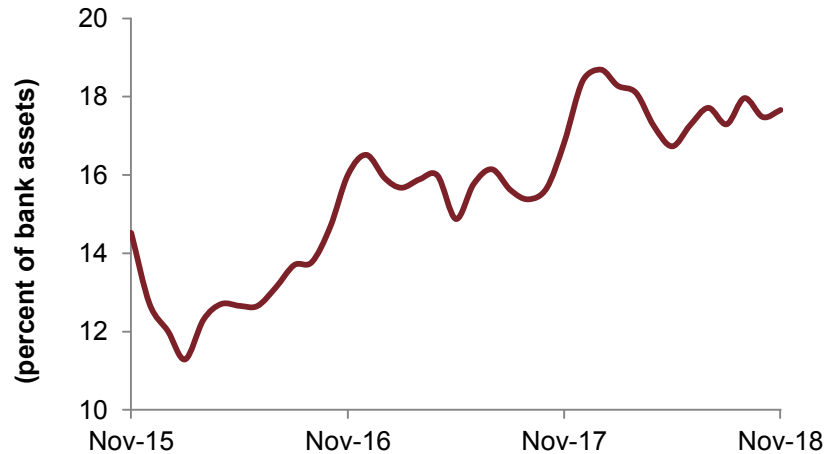
Both SAIBOR and LIBOR were up during the month, with the SAIBOR/LIBOR spread widening.

Saibor and Libor Rates



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Excess Liquidity in the Banking System

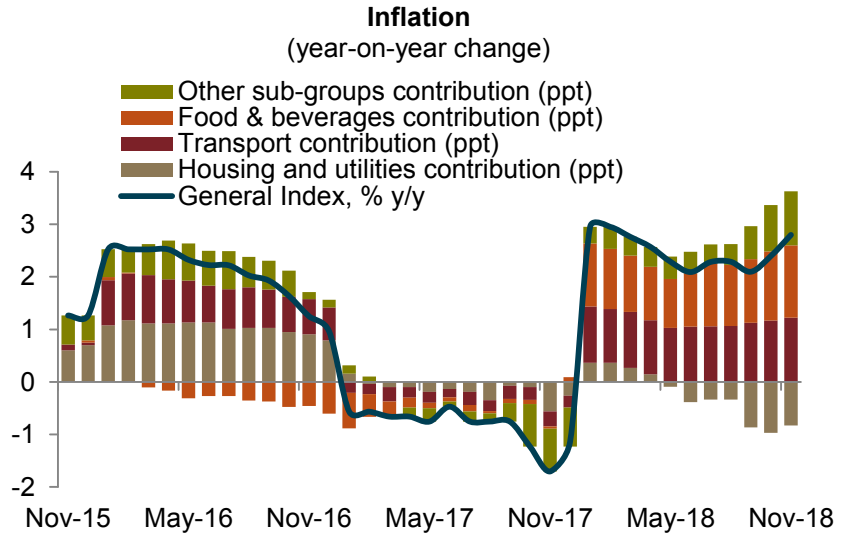




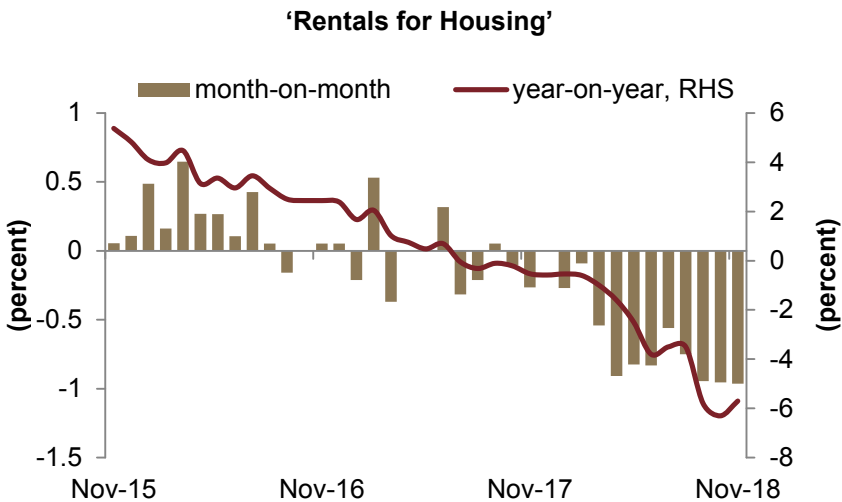
Inflation

Prices rose in November by 2.8 percent year-on-year, but declined by 0.3 percent month-on-month, continuing the downward trend for a fourth month in a row. 'Housing and utilities' declined by 3.1 percent, year-on-year, as 'rentals for housing' continued to decrease, falling by 5.7 percent year-on-year during November. Moreover, 'Restaurants and hotels' prices rose by 8.6 percent, year-on-year.

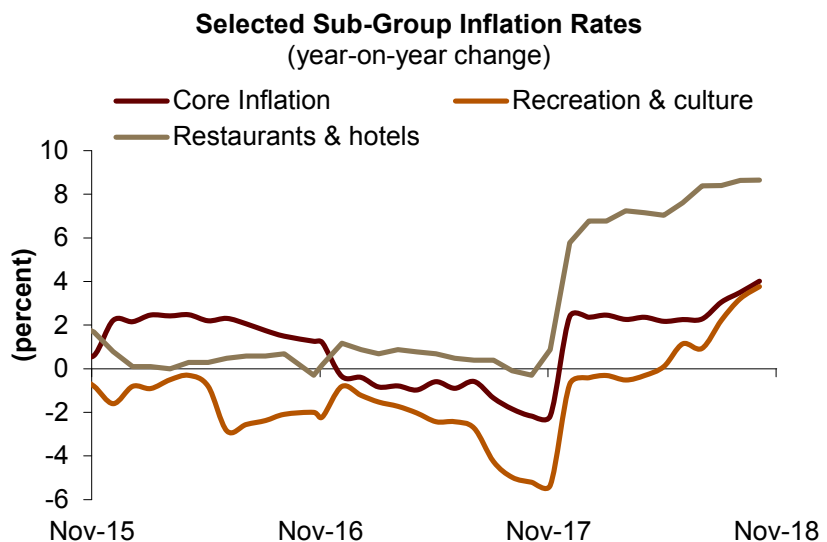
Inflation in November was at 2.8 percent year-on-year, but declined by 0.3 percent month-on-month, continuing the slowdown trend for a fourth month in a row.



'Housing & utilities' declined by 3.1 percent, year-on-year, as 'rentals for housing' continued to decrease.



'Recreation & culture' prices rose by 4 percent year-on-year, and 'restaurants & hotels' prices were also up by 8.6 percent, year-on-year. Both items showed their highest annual price rises during the year, which could indicate higher local demand on goods and services.

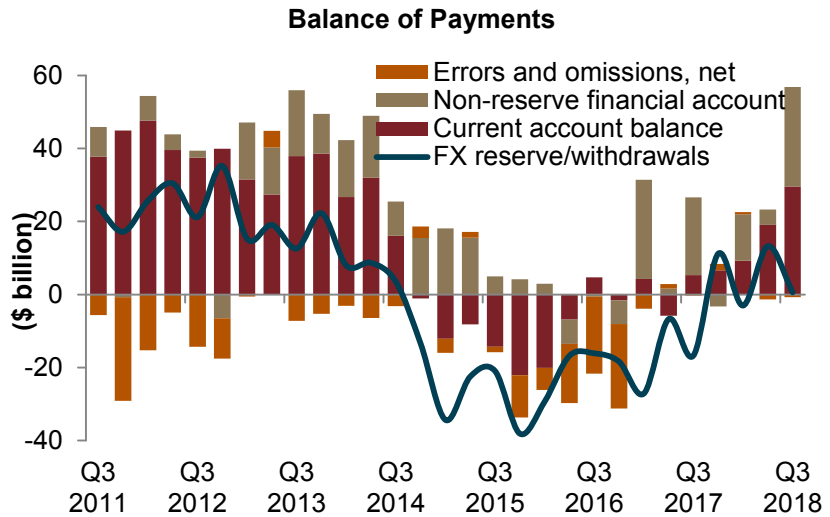




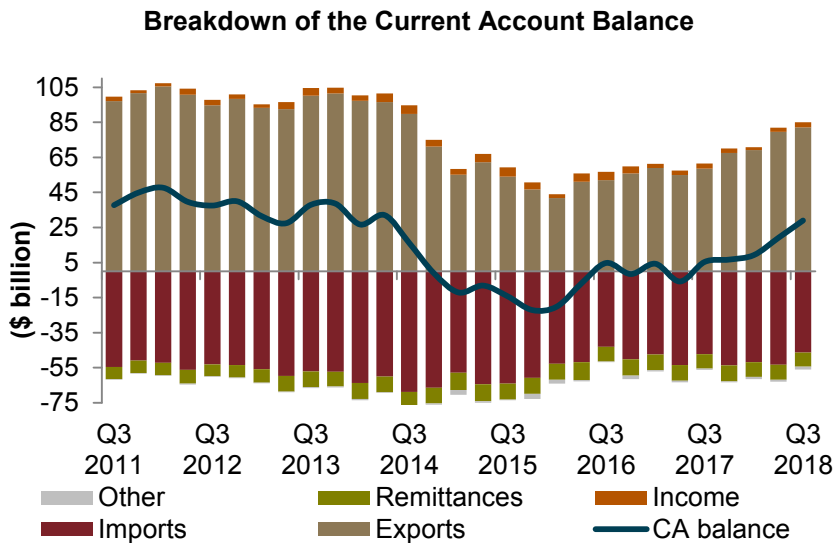
Balance of Payments

Recently released data shows that both the current and financial accounts remained in surplus in Q3 2018. In the current account, the continued surplus was due to an increase in export values, to four year highs of \$82 billion. A sizable improvement in the financial account was observed as a result of a significant increase in 'Other Investments'.

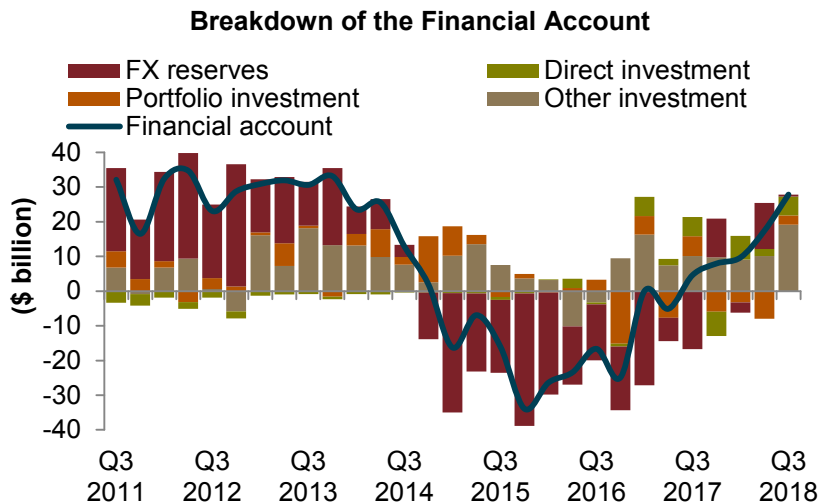
Recently released data shows that both the current and financial accounts remained in surplus in Q3 2018...



...with an increase in export values, to four year highs of \$82 billion, helping push the current account balance to \$29 billion.



At the same time, the financial account remained positive with a \$19 billion in outflows from 'Other Investments'. We see these outflows driven by the Public Investment Fund, and by other independent government entities, such as pension funds, who are channeling sizable investments internationally, in a bid to push towards economic diversity under the Vision 2030.

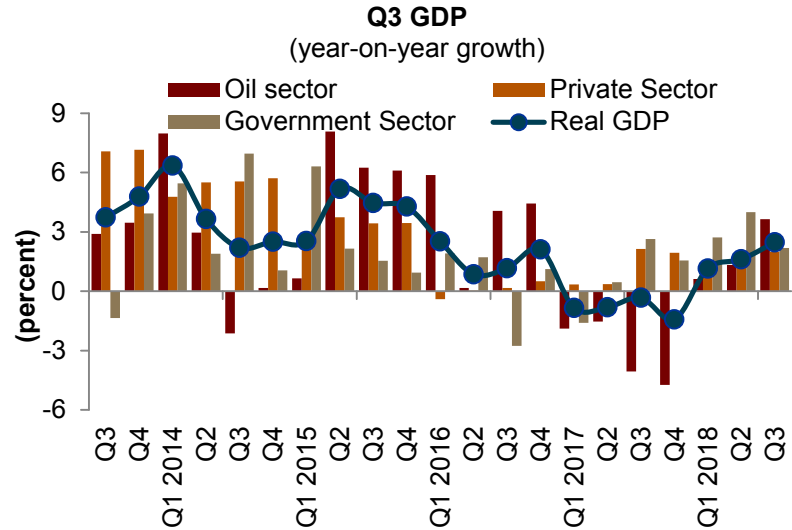




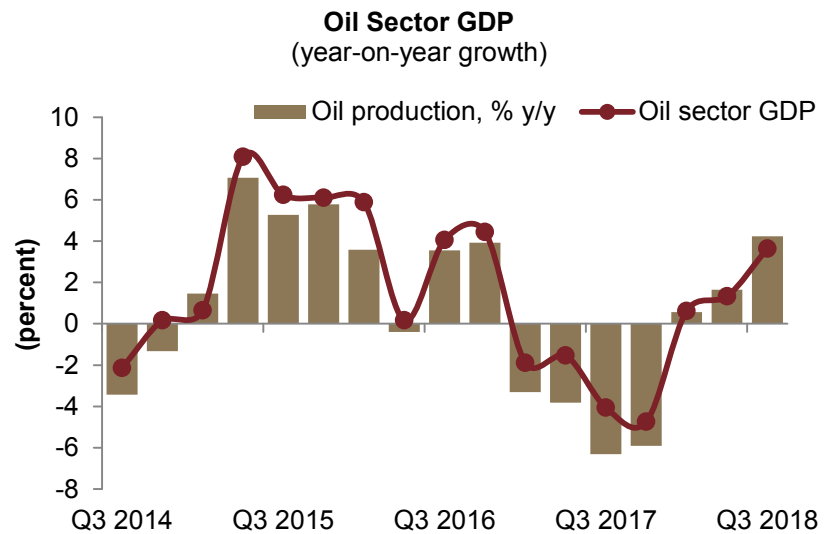
Q3 GDP

Data on Q3 real GDP showed that the economy expanded by 2.5 percent, year-on-year. Growth was seen across all macro sectors, with the oil sector improving by 3.7 percent, whilst non-oil GDP showed better growth, at 2 percent. Within the non-oil sector, non-oil private sector GDP was up 2 percent and the government sector's GDP rose significantly, by 2.1 percent.

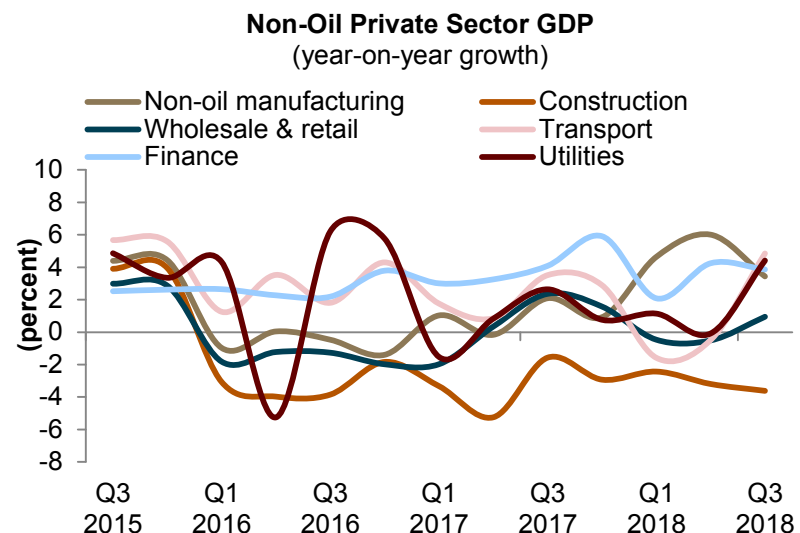
Data on Q3 real GDP showed that the economy expanded by 2.5 percent, year-on-year...



...with the oil sector improving by 3.7 percent, as crude oil production rose significantly year-on-year.



On the non-oil private sector side, the 'Construction' was the only sector to show yearly declines of 3.6 percent. Meanwhile, 'Transport', 'Utilities', and 'Finance', were up 4.9, 4.4 and 3.9 percent respectively.

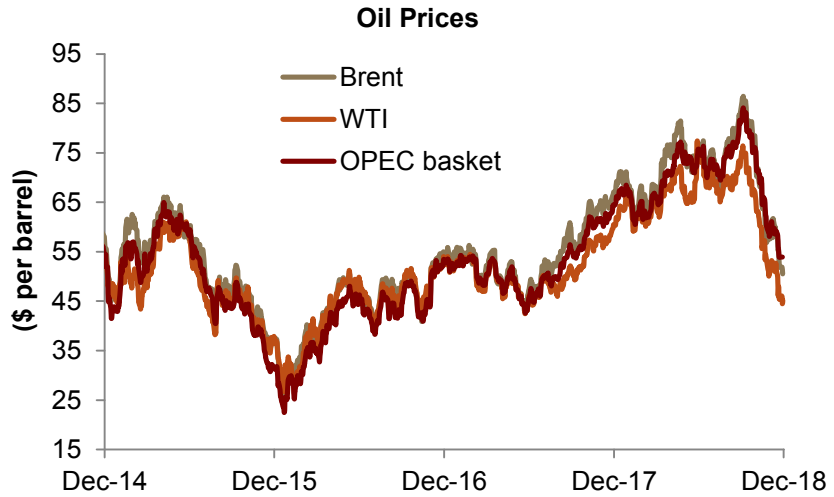




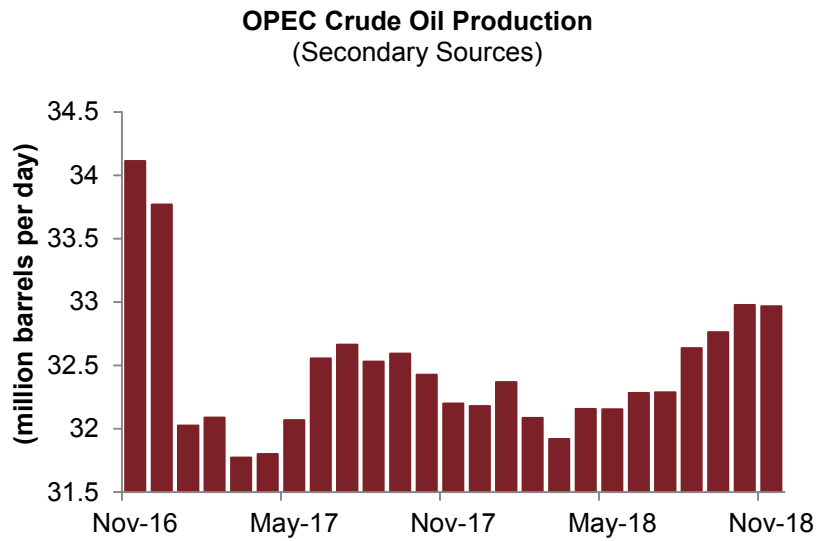
Oil - Global

Brent oil declined by 11 percent and WTI by 13 percent month-on-month in December as concerns over oil demand growth and rising oil stocks, especially in the US, weighs negatively on outlook. The decline in prices came despite an agreement by OPEC and non-OPEC members (OPEC+) to implement a 2.5 percent decline in output compared to their October 2018 output.

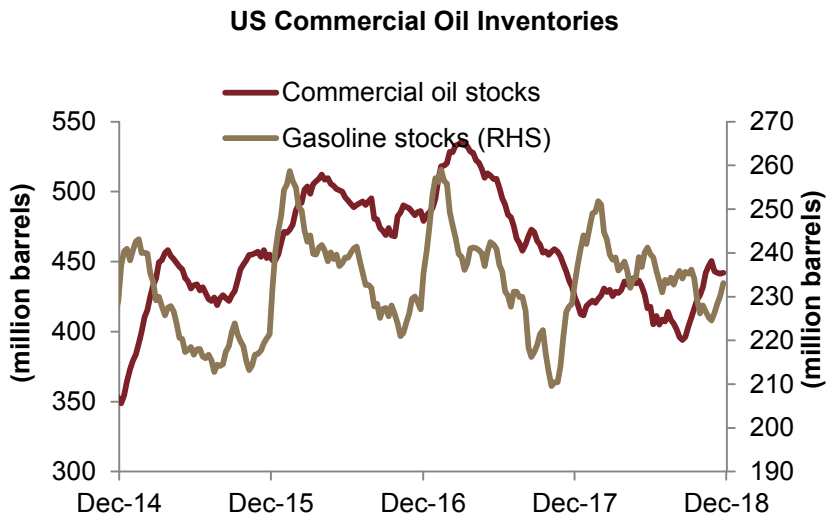
Oil prices remain pressured, with Brent having declined by 41 percent since peaking to \$86 pb in early October.



A recently agreed OPEC+ cut, which tied a group of countries to a 2.5 percent decline in output compared to October 2018, has not stemmed the decline in oil prices...



...as concerns over rising oil stockpiles, especially in the US, becomes pertinent.



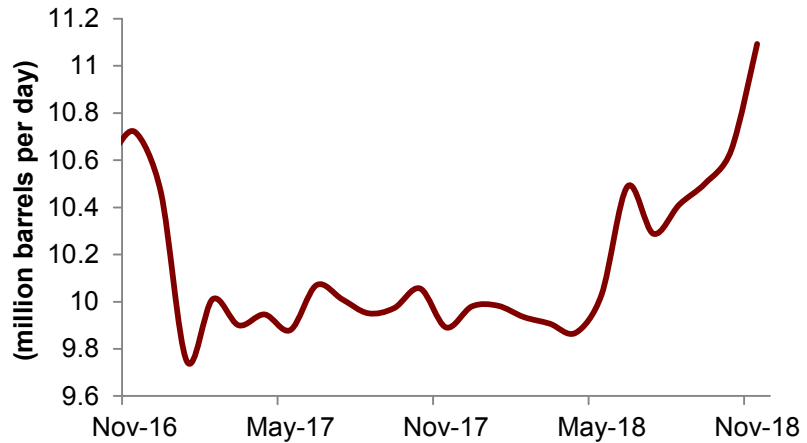


Oil - Regional

Saudi crude oil production hit a record 11.1 mbpd in November as the Kingdom pumped oil to ensure stability in supply following the re-imposition of US sanctions on Iranian oil. Latest available official data for October, shows that even prior to sanctions on Iran, many oil importers had switched purchases to other countries, including to Saudi Arabia.

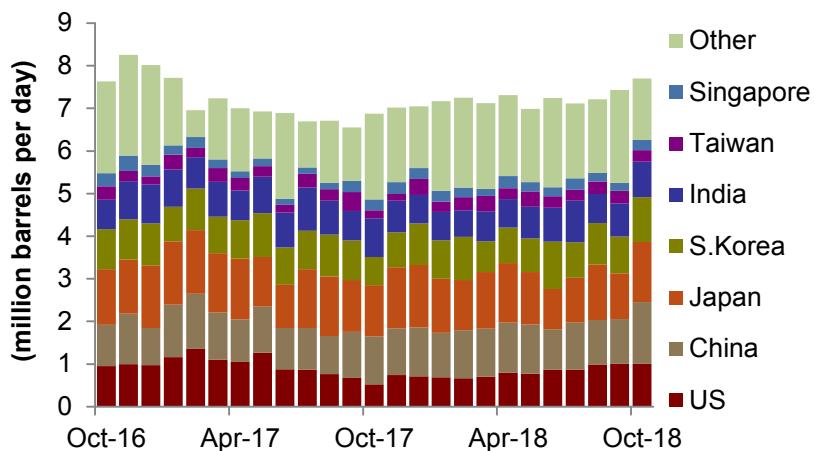
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Saudi Crude Oil Production
(Direct Communication)

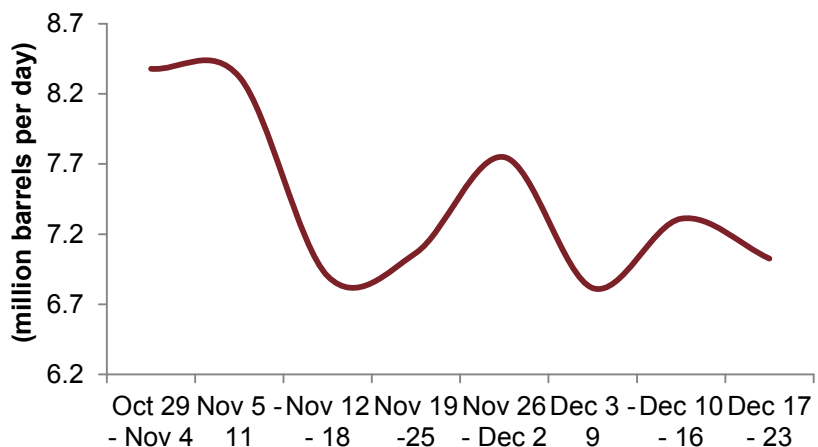


Latest available official data shows that even prior to sanctions on Iran, many oil importers had switched purchases to other countries, with Saudi Arabia seeing notably higher monthly purchases from China, S.Korea and India, in October. Overall, Saudi crude oil exports hit a near two year high of 7.7 mbpd in October.

Saudi Crude Oil Exports
(October 2018)



Saudi Crude Oil Exports
(November & December 2018)



Looking ahead, provisional unofficial data shows that whilst Saudi crude oil exports average around 7.7 mbpd in November, they are expected to average 7 mbpd in December.

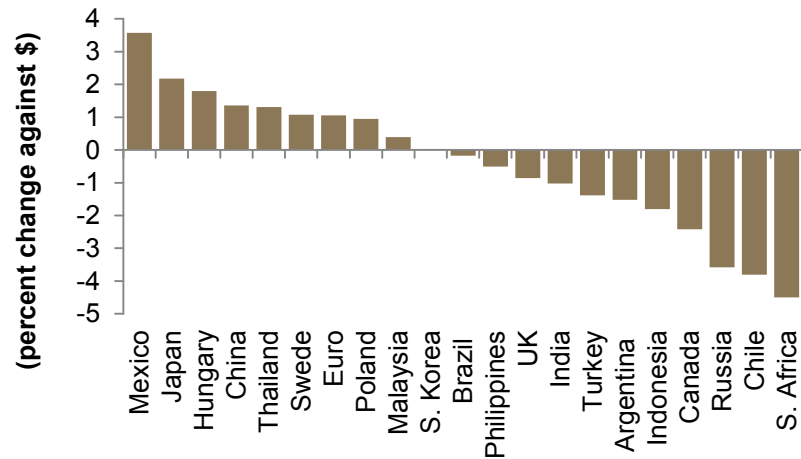


Exchange Rates

As markets expected, the US central bank (Fed) raised interest rates by 25 basis points (bps) to a range 2.25 to 2.5 percent. Despite this, the dollar saw mixed performance against a basket of currencies during December, highlighting the uncertain outlook for the greenback following the Fed's lowering of its own projections to two further hikes in 2019, compared to three previously.

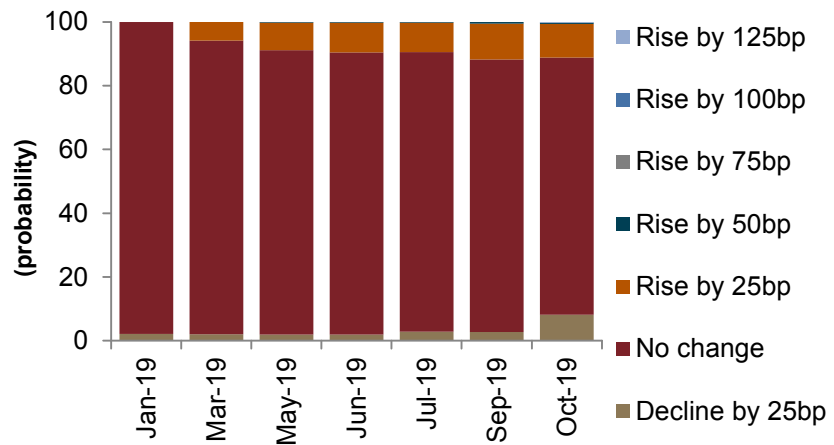
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Monthly Gain/Loss Against US Dollar
(December 2018)



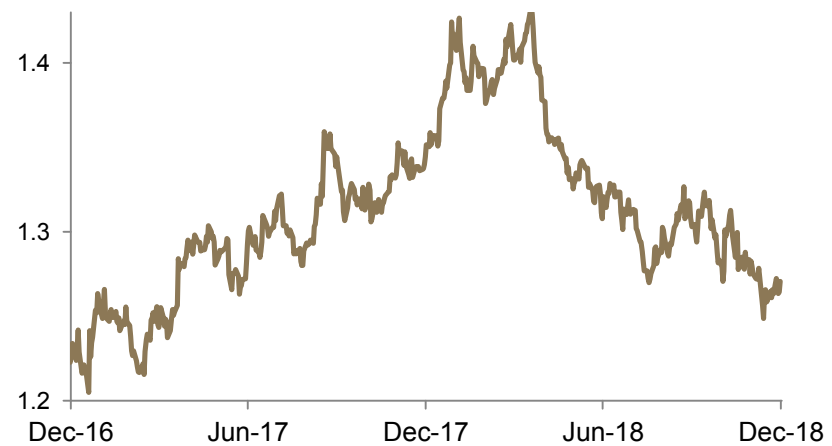
...following the Fed's lowering of its own projections to two further hikes in 2019, compared to three previously. That said, latest survey data suggests investors largely expect no further hikes in 2019, with some even expecting a decline in US interest rates.

US Fed Interest Rate Probability



Meanwhile, the UK pound continues to be shaped by domestic political considerations, which are likely to continue well into the new year.

GBP/US Dollar





Stock Market

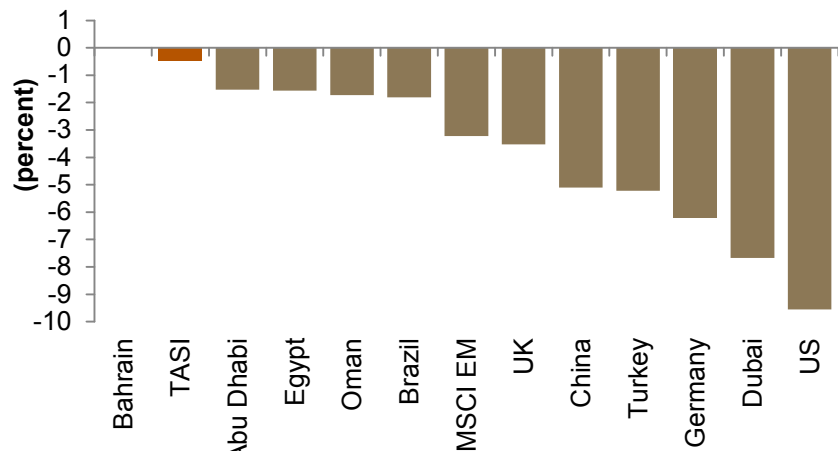
Whilst a large decline in oil prices dampened investor sentiment during December, the impact on TASI was mitigated due to Kingdom's largest ever budgeted fiscal budget being disclosed. As a result, TASI saw only minor losses during December, whilst many global and regional markets saw sizable losses as concerns over the global economy, and tightening US monetary policy built up.

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TASI
(December 2018)

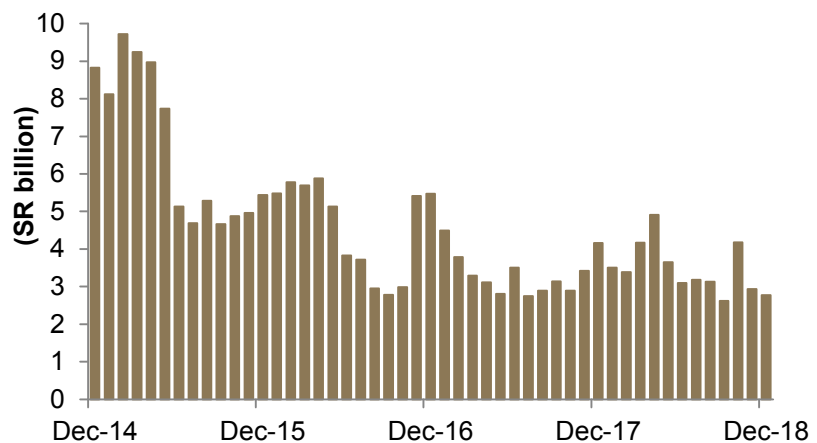


Comparative Stock Market Performance
(December 2018)



As a result, TASI saw only minor losses during December, whilst many global and regional markets saw sizable losses as concerns over the global economy, and tightening US monetary policy built up.

Average Daily Traded Volumes
(December 2018)



Meanwhile, average daily traded volumes in December dipped to SR2.8 billion, ending up below the yearly average of SR3.5 billion.



Key Data

	2011	2012	2013	2014	2015	2016	2017	2018F	2019F
Nominal GDP									
(SR billion)	2,517	2,760	2,800	2,836	2,454	2,419	2,575	3,013	3,234
(\$ billion)	671	736	747	756	654	645	687	803	862
(% change)	27.1	9.6	1.5	1.3	-13.5	-1.4	6.5	17.0	7.3
Real GDP (% change)									
Oil	12.2	5.1	-1.6	2.1	5.3	3.6	-3.0	3.2	2.3
Non-oil private sector	8.1	5.6	7.0	5.4	3.4	0.1	0.7	1.1	1.8
Non-oil government	8.4	5.3	5.1	3.7	2.7	0.6	1.7	2.2	1.4
Total	10.0	5.4	2.7	3.7	4.1	1.7	-0.9	2.2	2.0
Oil indicators (average)									
Brent (\$/b)	112	112	110	99	52	43	54	71	75
Saudi (\$/b)	104	106	104	96	49	41	51	68	73
Production (million b/d)	9.3	9.8	9.6	9.7	10.2	10.4	10.0	10.3	10.5
Budgetary indicators (SR billion)									
Government revenue	1,118	1,247	1,156	1,044	616	519	692	895	942
Government expenditure	838	916	994	1,140	999	935	930	1030	1,106
Budget balance	280	331	162	-96	-383	-416	-238	-136	-164
(% GDP)	11.1	12.0	5.8	-3.4	-15.6	-17.2	-9.3	-4.6	-5.1
Gross public debt	135	99	60	44	142	317	443	560	678
(% GDP)	5.4	3.6	2.1	1.6	5.8	13.1	17.2	19.1	21.0
Monetary indicators (average)									
Inflation (% change)	n/a	2.9	3.5	2.2	1.2	2.1	-0.8	2.6	1.1
SAMA base lending rate (% , end year)	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.75	3.5
External trade indicators (\$ billion)									
Oil export revenues	318	337	322	285	153	137	170	233	244
Total export revenues	365	388	376	342	204	184	221	285	299
Imports	120	142	153	158	159	128	119	122	124
Trade balance	245	247	223	184	44	56	102	163	176
Current account balance	159	165	135	74	-57	-24	15	77	90
(% GDP)	23.6	22.4	18.1	9.8	-8.7	-3.7	2.2	9.6	10.5
Official reserve assets	544	657	726	732	616	536	496	535	583
Social and demographic indicators									
Population (million)	28.2	28.9	29.6	30.3	31.0	31.7	32.6	33.4	34.0
Saudi Unemployment (15+, %)	12.4	12.1	11.7	11.7	11.5	12.5	12.8	12.5	12.1
GDP per capita (\$)	23,827	25,471	25,223	24,962	21,095	20,318	21,057	24,046	25,367

Sources: Jadwa Investment forecasts for 2018 and 2019. 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.



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