



**SAUDI
ECONOMIC
CHARTBOOK**

Fourth Quarter 2022

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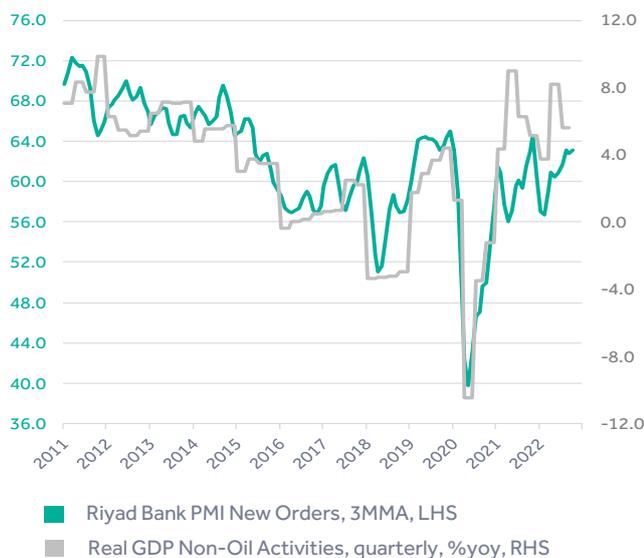
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Non-Oil Economy in Firm Expansion Mode in 2022

- The Saudi economy recorded a real growth of 8.6%yoy in Q3 2022 after a multi-year peak rate of 12.2%yoy in the previous quarter. For the full year 2022, we expect the economy to expand by 8.9%, the highest yearly growth rate since 2011.
- The oil sector, which has been the main growth driver in 2022, expanded by 14.5% in Q3 2022, after having reached 22.9%yoy in the previous quarter. For the full year, we forecast an oil activities GDP growth rate of 15.7%, the highest yearly reading since 2003.
- Despite a gradual slowdown in Q3 to 5.6%yoy, non-oil economic growth remains in firm expansion mode which is confirmed by recent strong readings of business climate indicators (see chart below).
- The government achieved a fiscal surplus of 150 bln SAR in the first nine months of 2022. This surplus was primarily the result of soaring oil revenues which exceeded the first nine months of 2021 by 67%. Meanwhile, fiscal spending increased by 14% over the same time period.
- Saudi crude oil production reached 11.0 mbd in October. For November, a reduction by 0.5 mbd can be expected based on the most recent OPEC+ output cut decision taken at the beginning of October. Since then, Brent oil prices have largely stabilized around the 90 USD level.
- SAMA raised its key interest rates overall by 350bp since March 2022, generally following the US Federal Reserve. Against this background, 3M SAIBOR climbed to above 5.5%. We expect FED fund rates to peak around 5.0% in 2023 and 3M SAIBOR to ease to 5.20% by end of next year.

GDP Non-Oil Activities and PMI New Orders



Despite the gradual slowdown in the 3rd quarter, growth of the non-oil economy remains robust in 2022. This is also confirmed by the latest readings of the PMI New Orders business climate indicator. For the full year 2022, we expect a growth rate of 5.2% for the non-oil economy after 6.1% in 2021.

source: GASTAT, IHS Markit

Gross Domestic Product (GDP) by Main Economic Activities

Figure 1:
GDP Overall Economy



(Q3 2022 flash estimate)

source: GASTAT

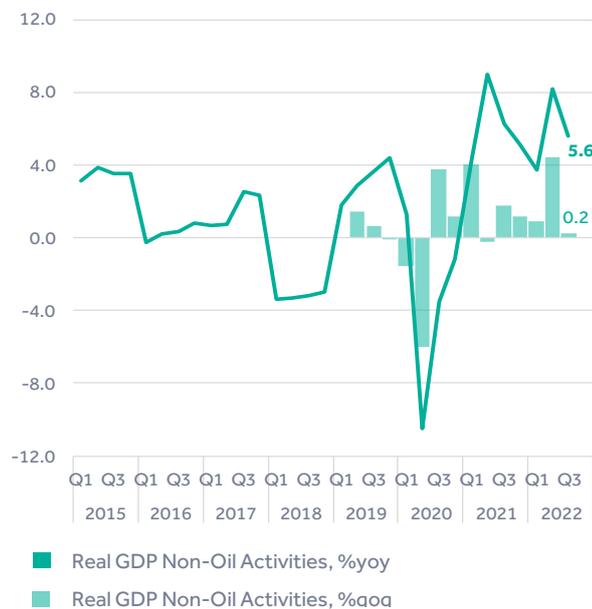
Figure 2:
GDP Oil Activities



(Q3 2022 flash estimate)

source: GASTAT

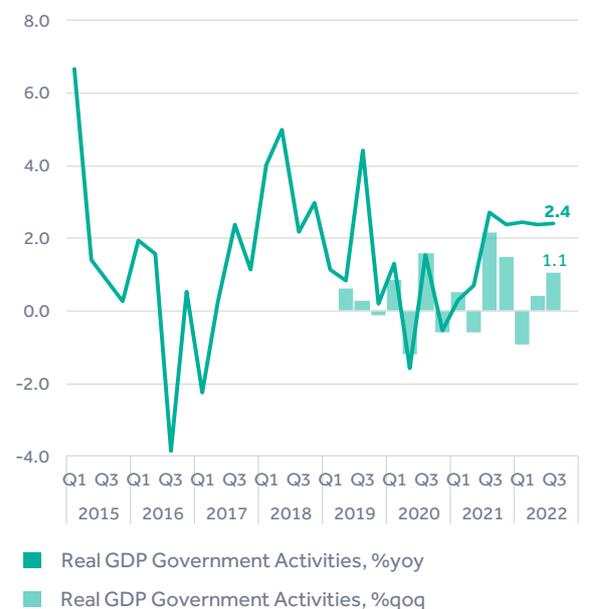
Figure 3:
GDP Non-Oil Activities



(Q3 2022 flash estimate)

source: GASTAT

Figure 4:
GDP Government Activities



(Q3 2022 flash estimate)

source: GASTAT

According to flash estimates, the Saudi economy expanded by 8.6%yoy in Q3 2022 after a multi-year peak growth of 12.2%yoy in Q2. This was primarily driven by a growth slowdown of the oil sector from

22.9%yoy in Q2 to 14.5%yoy in Q3. Besides, non-oil economic growth also gradually decelerated in Q3, but remains very robust with 5.6% - a growth rate still distinctly above average by historical standards.

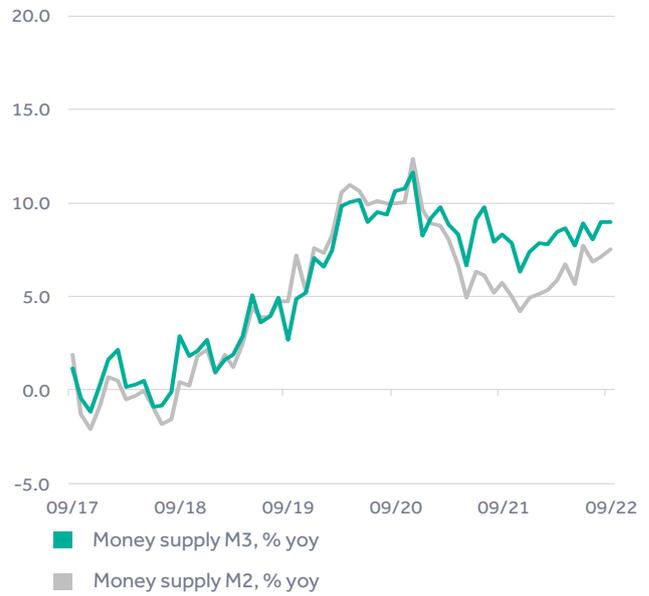
Monetary Aggregates, Credit and Commercial Banks' Deposits

Figure 1:
Growth Rate Monetary Base and Money Supply M1



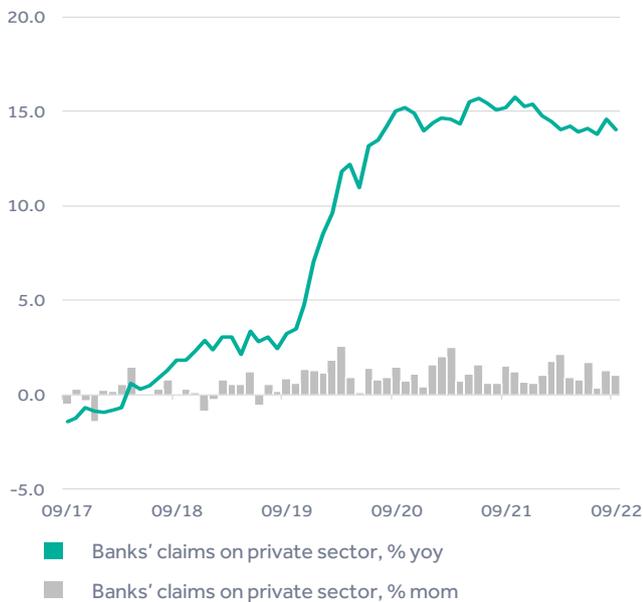
source: SAMA

Figure 2:
Growth Rate Money Supply M2 and M3



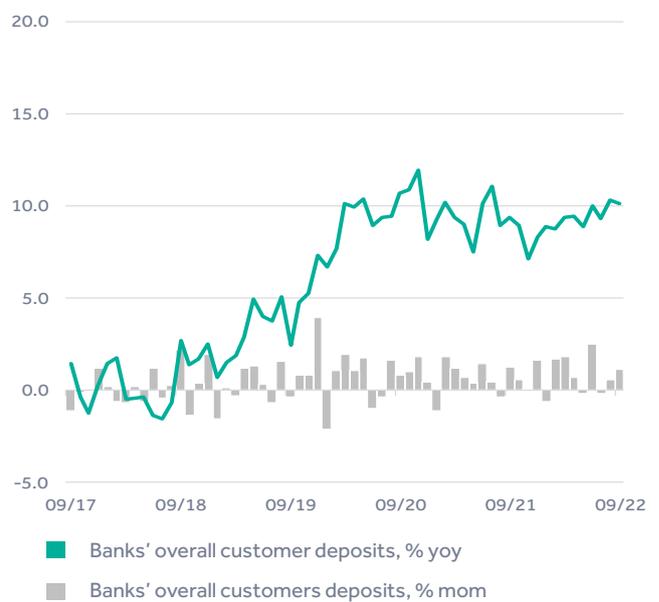
source: SAMA

Figure 3:
Growth of Credit to the Private Sector



source: SAMA

Figure 4:
Growth of Commercial Banks' Deposits



source: SAMA

For a third month in a row, the monetary base contracted on a year-on-year basis in September, primarily due to a reduction of currency in circulation. The broader money supply aggregates, however,

showed solid growth rates of 7.5%yoy (M2) and 9.0%yoy (M3) in September. Meanwhile, the growth rate of credit to the private sector (14.0%) continued to outpace customer deposit growth (10.1%).

Commercial Banks Key Ratios

Figure 1:
Private Sector Loan-Deposit-Ratio



Figure 2:
Government Sector Loan-Deposit-Ratio

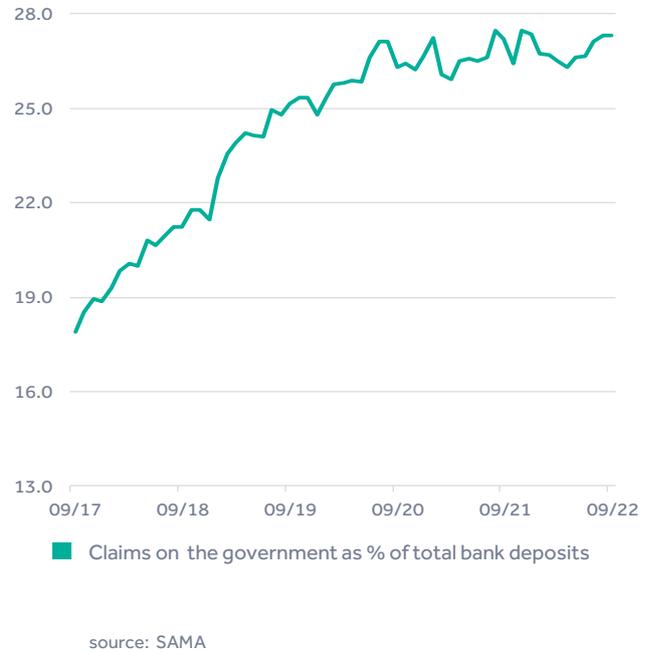


Figure 3:
Foreign Assets to Total Assets Ratio

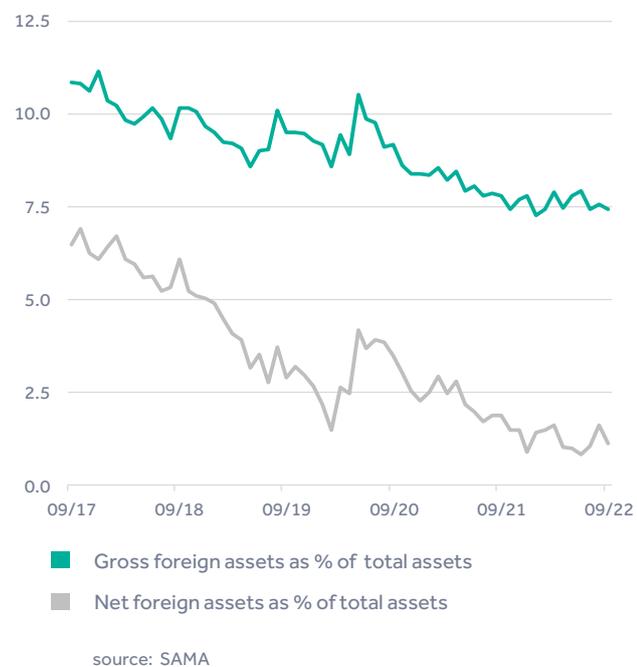


Figure 4:
Excess Liquidity to Total Assets Ratio

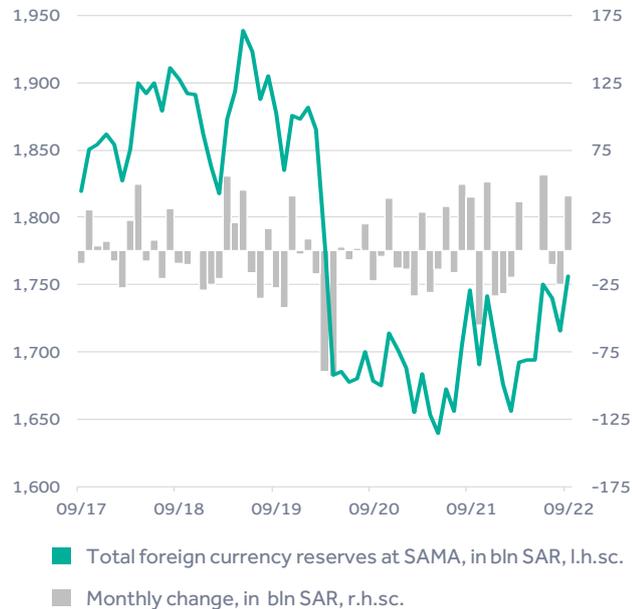


After a drop in June to 79.7% due to a liquidity injection by SAMA, the statutory loan-deposit-ratio (LDR) climbed again to 81.9% in September. Accordingly, the excess liquidity in the banking sector

declined from 18.2% in July to 16.6% in September. Meanwhile, the government sector LDR gradually picked up from April (26.3%) to September (27.3%), but has broadly stabilized over the last two years.

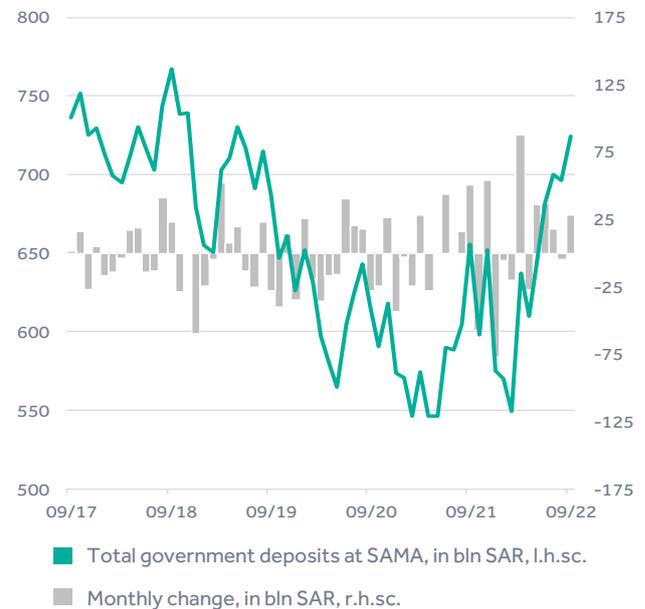
SAMA Balance Sheet and Government Deposits

Figure 1:
Foreign Currency Reserves at SAMA



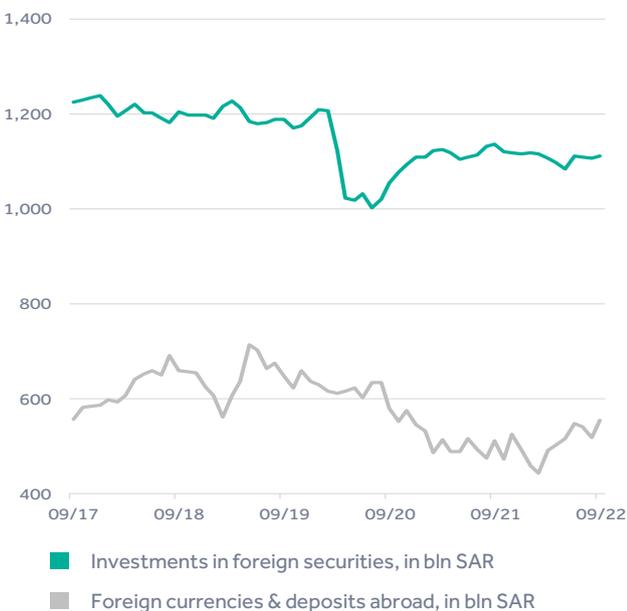
source: SAMA

Figure 2:
Government Deposits at SAMA



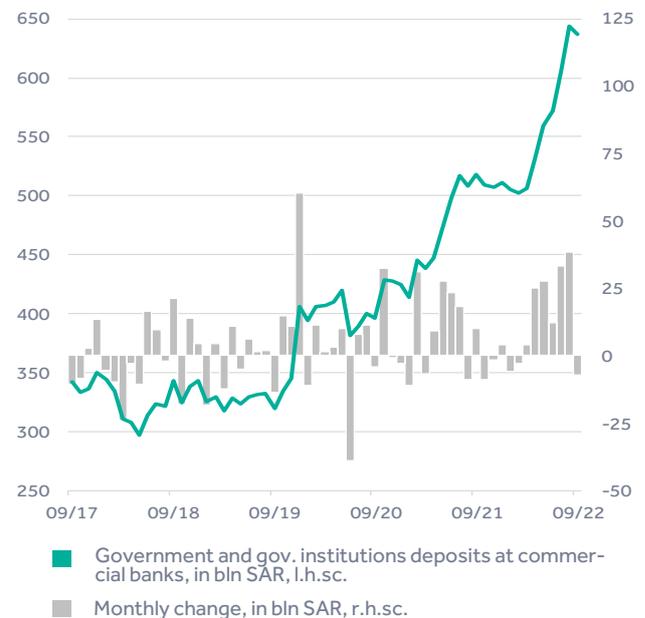
source: SAMA

Figure 3:
Breakdown of Foreign Currency Reserves at SAMA



source: SAMA

Figure 4:
Government Deposits at Commercial Banks



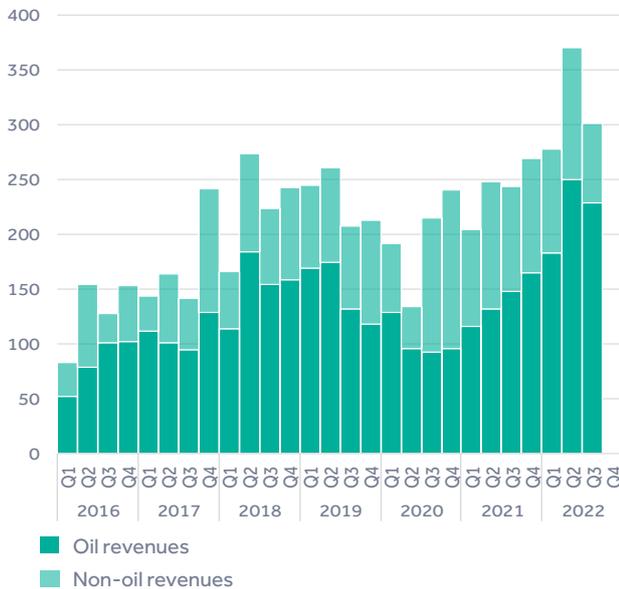
source: SAMA

After some outflow in the first two months of the year, SAMA reserves subsequently climbed from February to September by 100 bln SAR, primarily due to a mounting current account surplus. On the

back of a fiscal surplus, government accounts at SAMA increased by 176 bln SAR over the same period. At the same time, government institutions' deposits at commercial banks rose by 134 bln SAR.

Quarterly Fiscal Balance and Outstanding Government Debt

Figure 1:
Quarterly Fiscal Revenues (in bln SAR)



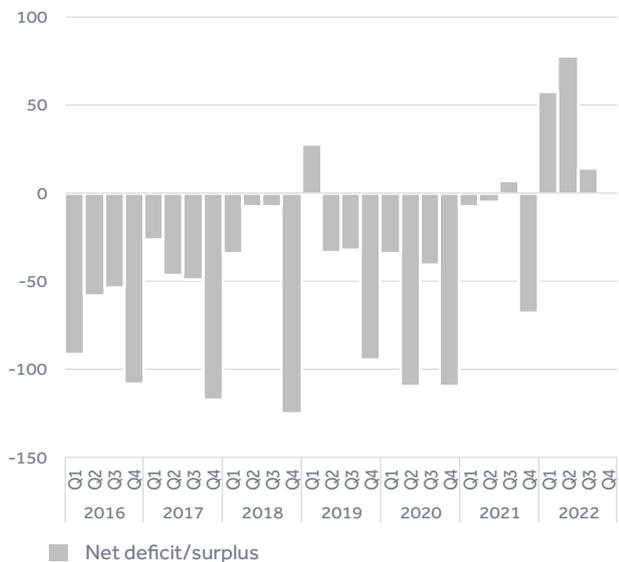
source: MoF

Figure 2:
Quarterly Fiscal Expenditure (in bln SAR)



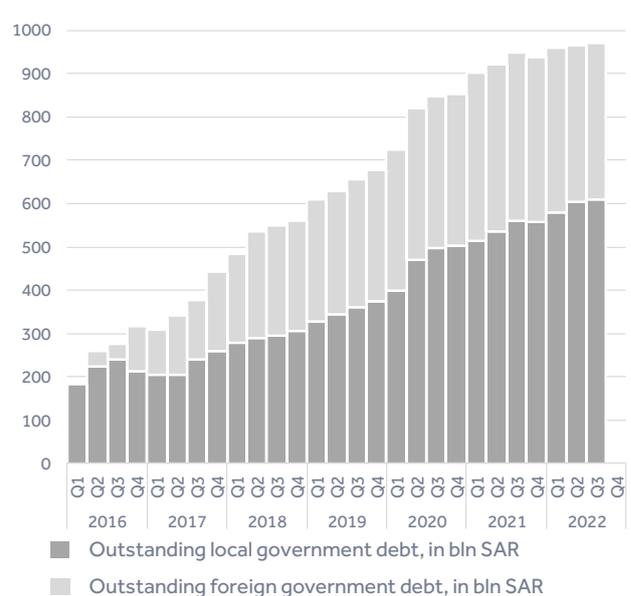
source: MoF

Figure 3:
Quarterly Fiscal Deficit/Surplus (in bln SAR)



source: MoF

Figure 4:
Outstanding Government Debt (End of Quarter)



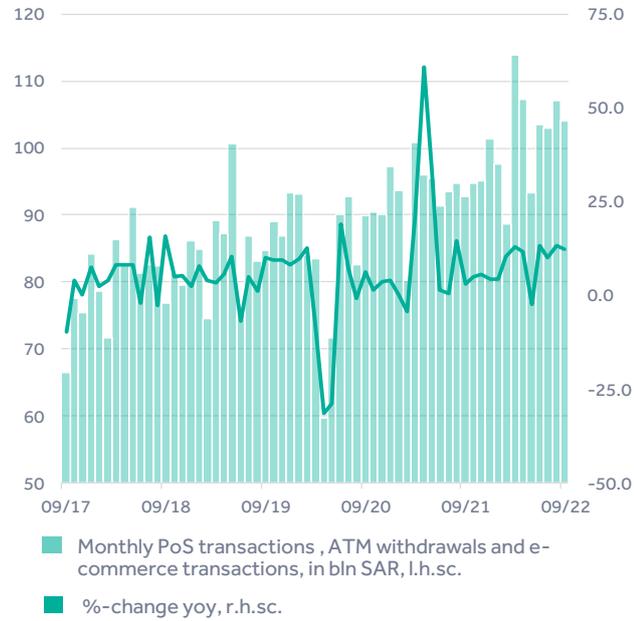
source: MoF

The government reported a fiscal surplus of 14bln SAR for Q3 2022. For the first nine months, the fiscal surplus accumulated to 150 bln SAR. This 9M surplus was primarily the result of soaring oil revenues

which exceeded the first nine months of 2021 by 67%. The 9M non-oil revenues, on the other hand, were slightly lower compared to 2021 (-4%). Fiscal spending rose by 14% over this time period.

Indicators for Private Spending and Non-Oil Business Climate

Figure 1:
Private Spending Indicator



source: SAMA

Figure 2:
Consumer Sentiment Indicator



source: Refinitiv

Figure 3:
PMI Composite and PMI Output



source: IHS Markit

Figure 4:
PMI New Orders and PMI New Export Orders



source: IHS Markit

On the back of a still upbeat consumer sentiment in Saudi Arabia, private spending, measured by our proxy indicator (PoS transactions, ATM withdrawals and e-commerce transactions), expanded by a solid

12.2%yoy in September. Meanwhile, the business climate of the non-oil economy, measured by the purchasing manager indices (PMI), still points towards strong growth based on current readings.

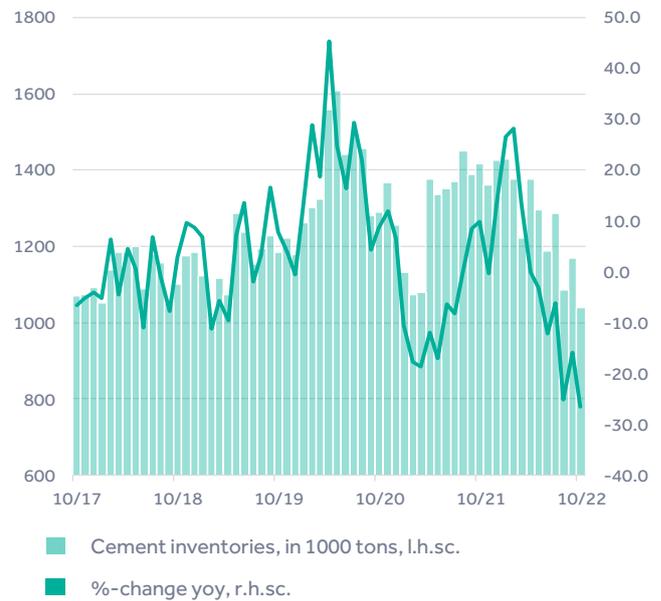
Cement Sector and Non-oil Exports and Imports

Figure 1:
Cement Production



source: Yamama Cement

Figure 2:
Cement Inventories



source: Yamama Cement

Figure 3:
Non-Oil Merchandise Exports



source: GASTAT

Figure 4:
Merchandise Imports



source: GASTAT

Cement production year-on-year growth rates have turned positive since mid-2022. In October, production expanded by 7.5%yoy. At the same time, cement inventories were drawn down by -23%

yoy in October. Meanwhile, non-oil merchandise export growth gradually slowed to 10.3%yoy in August. Imports, on the other side, climbed by 20.0% yoy as an indication of robust domestic demand.

Consumer and Wholesale Price Inflation

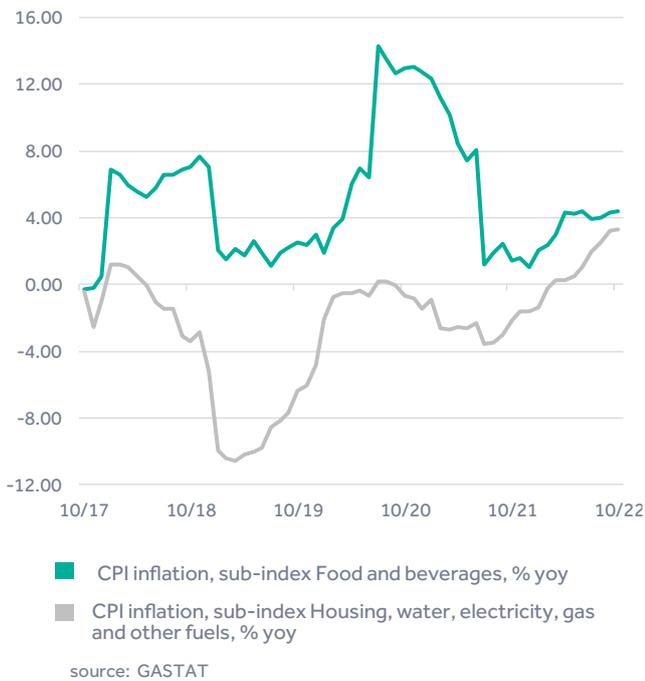
Figure 1:
Consumer Price Inflation All Items



Figure 2:
Consumer Price and Wholesale Price Inflation



Figure 3:
CPI Inflation Food & Housing



Saudi CPI inflation was at 3.0%yoy in October 2022. While Food&Beverage price inflation stabilized slightly above 4% since Spring of this year (October 4.4%yoy), Housing inflation continued its uptrend

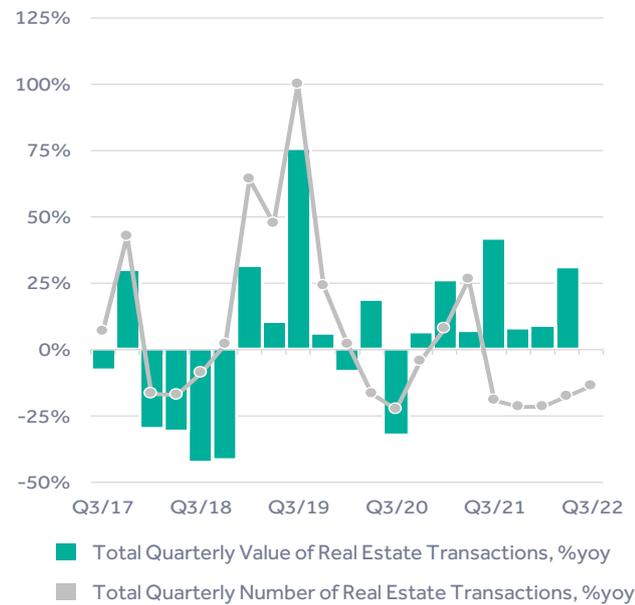
Figure 4:
CPI Inflation Furnishings & Transportation



with the latest reading at 3.3%yoy in October, primarily due to rising rental prices. Meanwhile, wholesale price inflation sharply dropped since end of last year from 13.2%yoy to 4.6%yoy.

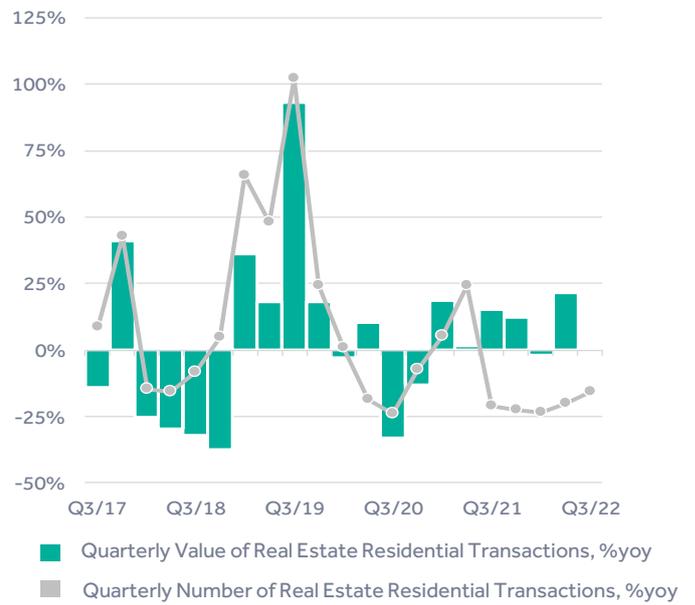
Real Estate Market: Transaction Activity

Figure 1:
Real Estate Transactions Total %yoy



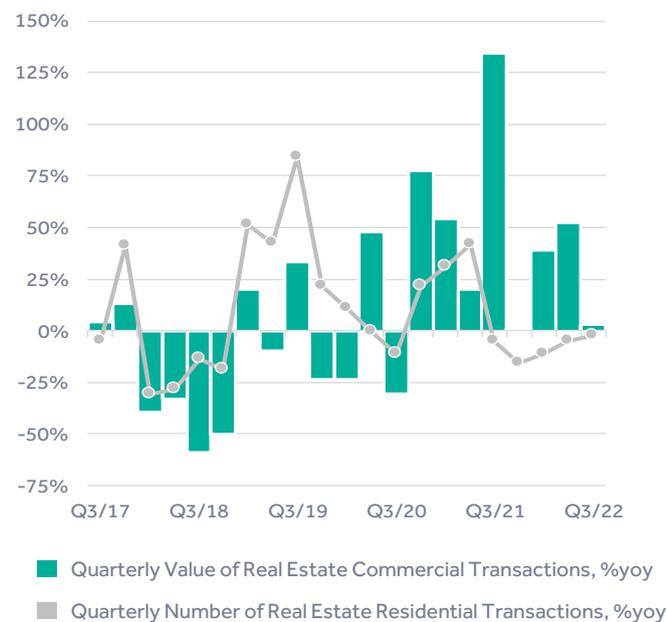
source: MOJ, RC

Figure 2:
Real Estate Transactions Residential %yoy



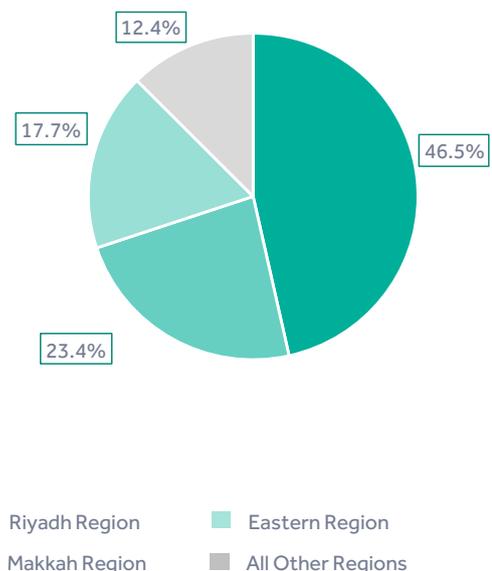
source: MOJ, RC

Figure 3:
Real Estate Transactions Commercial %yoy



source: MOJ, RC

Figure 4:
Breakdown of Transaction Value by Regions (Q3 2022)



source: MOJ, RC

The total value of real estate transactions was essentially unchanged compared to last year in Q3 2022 (+0.2%yoy), while the number of transactions declined by -14%. Both, commercial and residential

real estate transaction volumes were stagnating on a year-on-year basis. In a geographical comparison, 46.5% of the entire transaction value could be attributed to the Riyadh region during Q3 2022.

Real Estate Market: Price Indices

Figure 1:
Residential and Commercial Price Indices



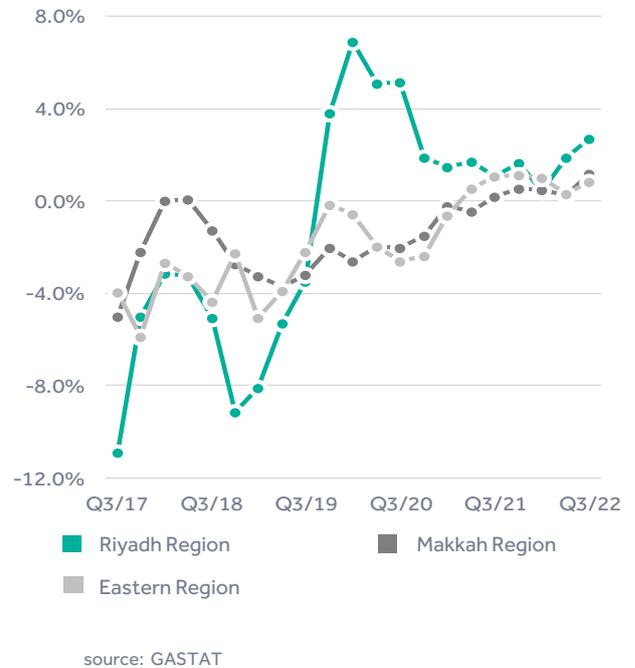
Figure 2:
Residential and Commercial Land Price Indices



Figure 3:
Residential Villas and Apartments Price Indices



Figure 4:
Real Estate Price Indices Main Regions (%yoy)

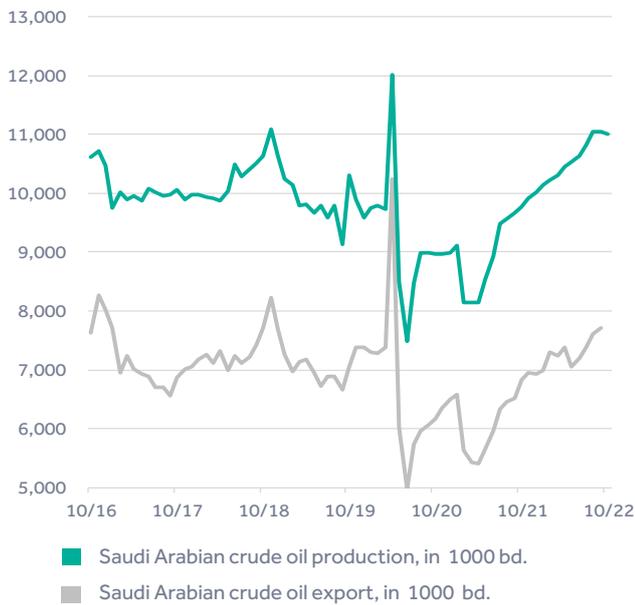


The recovery of real estate prices continued in Q3 2022 with residential prices climbing by 2.5%yoy and commercial prices being almost flat (-0.4%yoy). This trend is also reflected in residential villa and

apartment prices which showed a positive yearly growth rate in Q3 2022 for the first time since 2020. Geographically, property prices recorded the strongest growth in Riyadh region with 2.7%yoy.

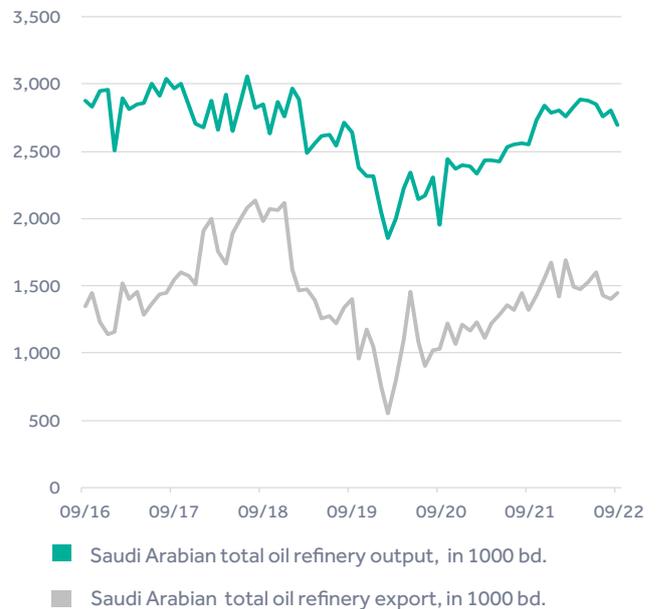
Oil Market Statistics: Production, Exports, Refinery and Prices

Figure 1:
Saudi Crude Oil Production and Exports



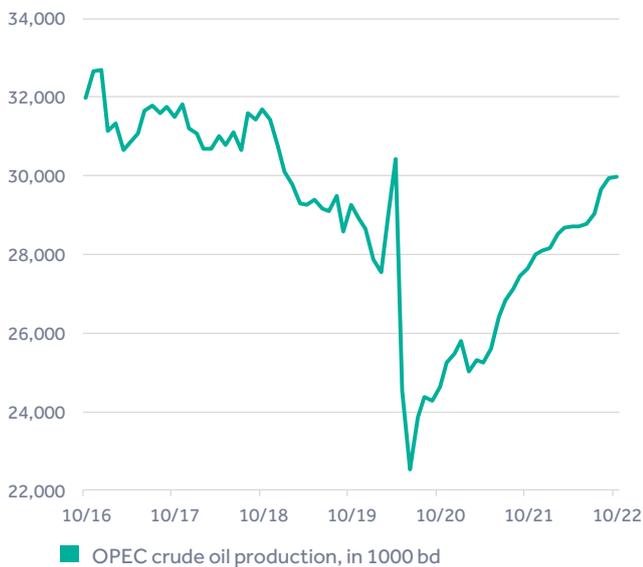
source: JODI, Bloomberg

Figure 2:
Saudi Crude Refinery Output and Exports



source: JODI

Figure 3:
OPEC Crude Output



source: JODI, Bloomberg

Figure 4:
Oil Prices



source: Bloomberg

According to secondary sources, Saudi crude oil production reached 11.0 mbd in October before a reduction by 0.5 mbd has to be expected for November, based on the OPEC+ output cut decision

taken at the beginning of October. Since then, Brent oil prices have largely stabilized around 90 USD, after having declined from levels above 120 USD in May and June of the year.

Foreign Exchange and KSA Credit Spread

Figure 1:
12-Months Forward Exchange Rate USD/SAR



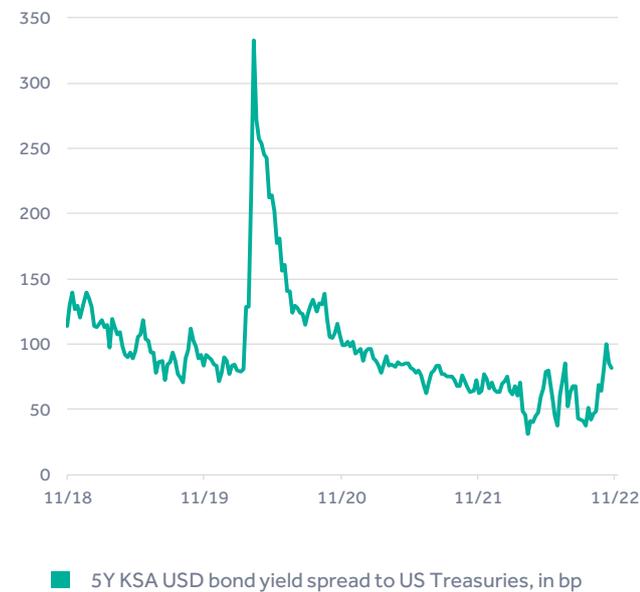
source: Bloomberg

Figure 2:
SAR Nominal and Real Effective Exchange Rate



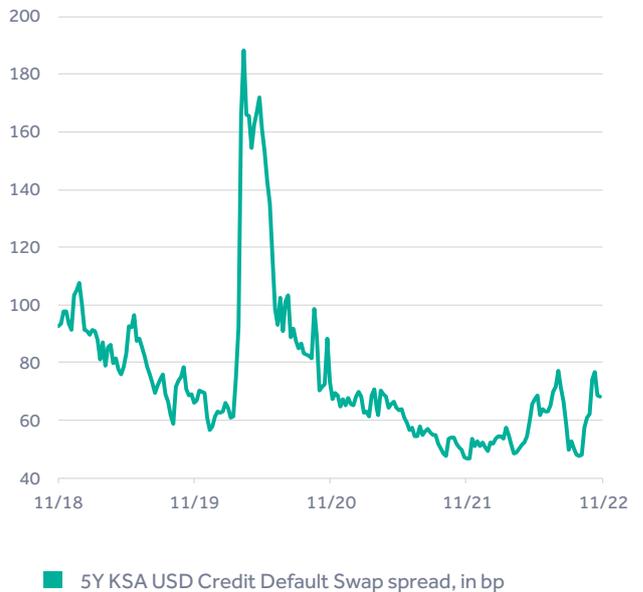
source: Bloomberg, JP Morgan

Figure 3:
KSA USD Bond Yield Spread to US Treasuries



source: Bloomberg

Figure 4:
KSA CDS Spread



source: Bloomberg,

Over the last 12 months, SAR exchange rate indices appreciated by 16% (nominal) and 11% (real) due to a general strength of the US dollar. Most recently, a correction kicked-in as US CPI inflation figures no-

tably eased putting the US currency under some pressure. Meanwhile, KSA bond yield spreads to US treasuries and CDS spreads remain range-bound at reasonably low levels by historical standards.

Short-term, Long-term and Official Interest Rates

Figure 1:
3-Months SAIBOR vs. USD LIBOR



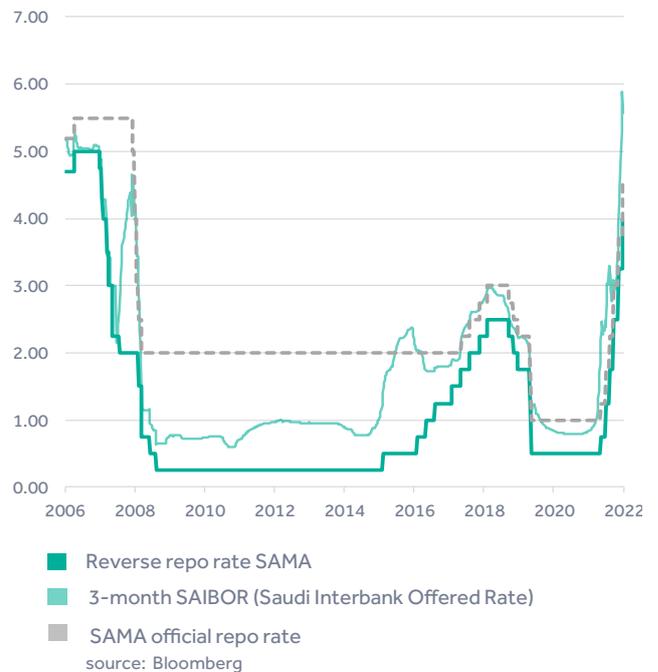
Figure 2:
5-Year Swap Rate SAR vs. USD



Figure 3:
5-Year KSA SAR Sukuk vs. USD Bond Yield



Figure 4:
Central Bank Rate and 3-Months SAIBOR

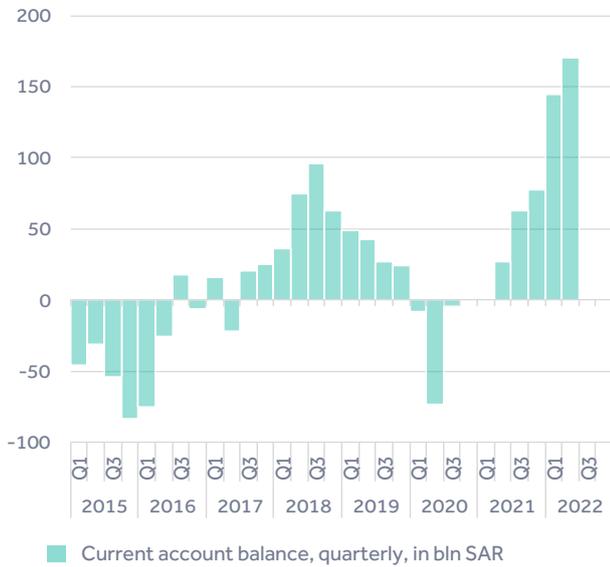


SAMA raised its key interest rates overall by 350bp since March 2022, generally following the rate hike policy by the US Federal Reserve. Against this background, 3M SAIBOR climbed from about 1.0% at the

beginning of the year to above 5.5%. Most recently, the rate spread to USD LIBOR widened again, after having almost disappeared as a consequence of liquidity injections by SAMA in June and July.

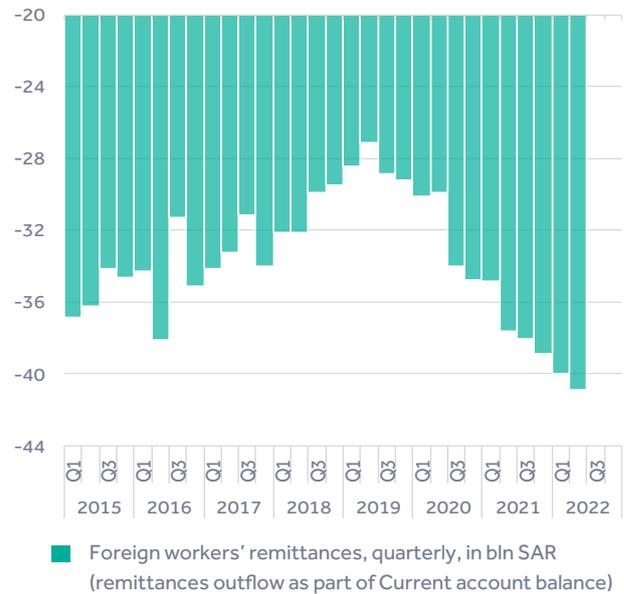
Saudi Balance of Payments

Figure 1:
Current Account Balance



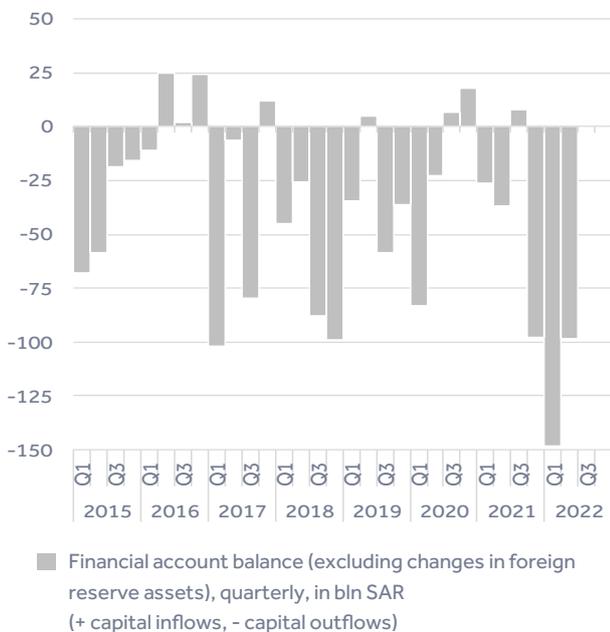
source: SAMA

Figure 2:
Foreign Workers' Remittances



source: SAMA

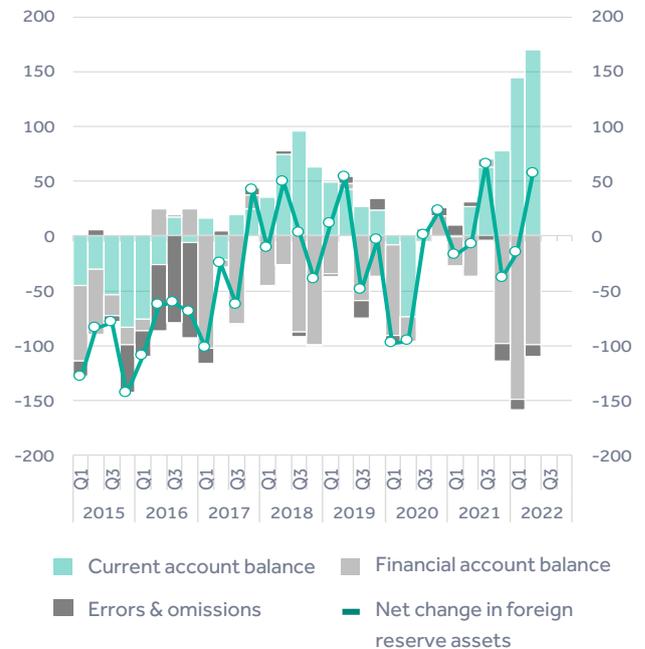
Figure 3:
Financial Account Balance



source: SAMA

Strongly rising oil export revenues led to a current account surplus of 170bln SAR in Q2 2022, the highest surplus since Q1 2012. On the back of a strong domestic economy, foreign workers' remittances

Figure 4:
Contribution to Balance of Payments (in bln SAR)



source: SAMA

reached 41bln SAR in Q2, the highest reading on record. The current account surplus in Q2 distinctly outpaced the financial account deficit which led to an increase of SAMA foreign reserves of 58bln SAR.

Tadawul: Saudi Equity Market Statistics

Figure 1:
Tadawul All-Share Index



Figure 2:
Tadawul Average Daily Traded Value

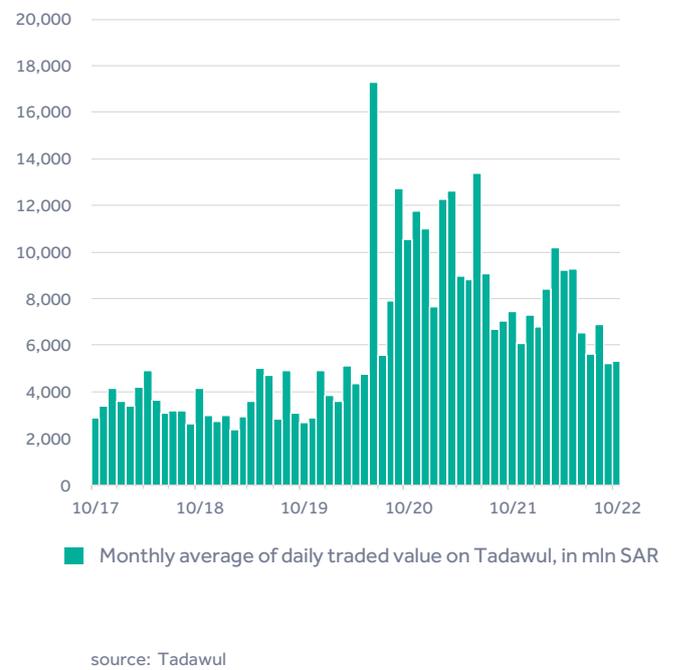


Figure 3:
Monthly Net Purchase by Ownership (in bln SAR)

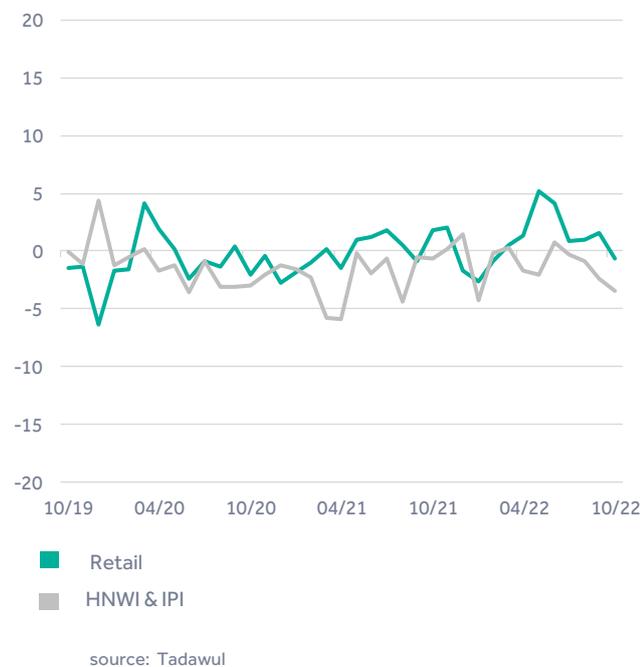
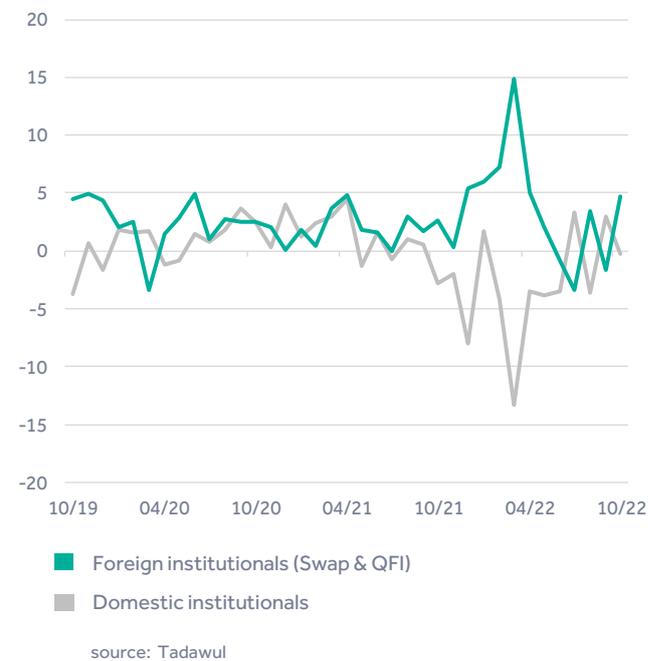


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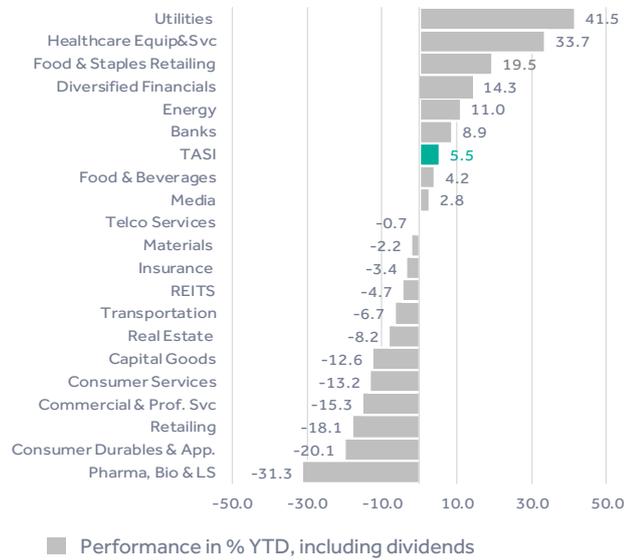


After having reached a multi-year high in May, TASI corrected by 20% until mid of July. Since then the market has been largely range-bound. A recovery in October was followed by a correction in November,

primarily due to actual Q3 earnings results turning out to be below market expectations. Average daily traded values declined from a peak of 10.2bln SAR in March to 5.3 bln SAR in October.

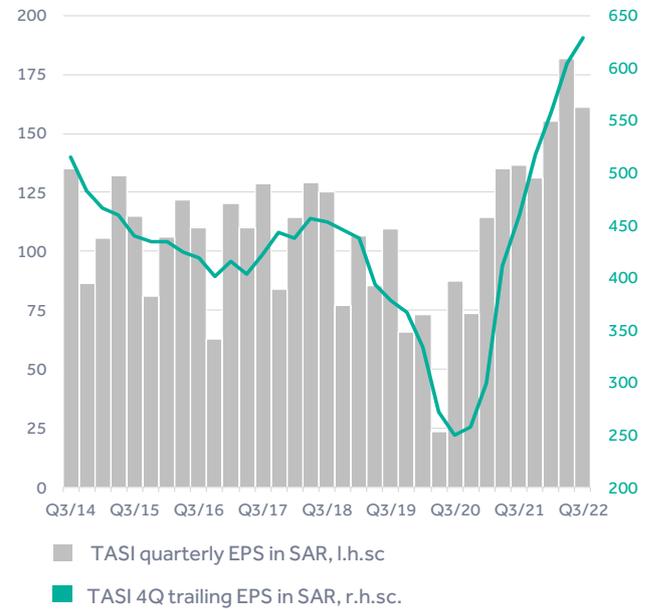
Tadawul: Saudi Equity Market Statistics

Figure 1:
Performance TASI Sectors Oct 2022YTD



source: Bloomberg

Figure 2:
Quarterly Earnings TASI



source: Bloomberg

Figure 3:
Valuation TASI: PE-Ratio Trailing



source: Bloomberg

Figure 4:
Valuation TASI: PE-Ratio Forward



source: Bloomberg

Until October 2022, utilities and healthcare services have been the best performing sectors this year, while pharma and consumer durables recorded the weakest performance. The overall market achieved

5.5%. Q3 earnings turned out to be lower than the previous quarter, primarily due an earnings drop of the Materials sector. TASI valuation metrics further eased as a result of the recent market performance.

Saudi Economic Outlook

The Saudi economy has strongly expanded so far in 2022 and is expected to reach a full year GDP growth rate of 8.9%, the highest reading since 2011.

The primary growth driver has been the oil sector which we forecast to expand by 15.7% in 2022, the strongest yearly growth rate since 2003. But also the non-oil economy has been in firm expansion mode with a full year growth projection of 5.2%.

For the year 2023, we expect oil production to broadly consolidate after the strong gains this year with an average output of 10.7 mbd after 10.6 mbd in 2022. As a consequence, oil sector GDP growth is expected to be of the order of 1.2%.

We expect continued solid growth for the non-oil economy, fostered by a growth-oriented fiscal policy with a focus on increased investment spending which will spur growth next year. For the full year, we forecast non-oil activities GDP to expand by 4.3%.

For global oil prices, we expect in our baseline scenario some weakness in the first half of 2023 on the back of a cooling global economy, but a distinct recovery in the second half. We expect Brent prices to end 2023

above 100 USD and forecast a yearly average Brent price of 95 USD.

With a view on these still high oil prices, we expect fiscal revenues to remain strong in 2023. This will allow fiscal spending to be focussed on economic growth and yet, still generate a surplus of the magnitude of 1.9% of GDP (after 2.3% in 2022).

Strong oil export revenues will also lead to a substantial surplus in the current account balance, albeit gradually lower than in 2022 (12.8% of GDP after 14.3% in 2022).

CPI inflation is expected to ease in 2023 after the pick-up during this year. For the full year 2023, we forecast an average rate of 2.2% after 2.6% in 2022.

In our baseline scenario, we expect the US Federal Reserve to hike rates by 50bp in December 2022 and by 25bp in Q1 2023 to finish with a peak rate of 4.75%. SAMA will lift its policy rates accordingly.

We further expect the SAIBOR-LIBOR spread to narrow from current elevated levels and forecast 3M SAIBOR to decline to 5.20% by end of next year.

Facts and Forecasts at a Glance

	2020	2021	2022f	2023f
Real GDP Growth				
Overall economy	-4.1	3.2	8.9	2.6
Non-oil Activities	-3.4	6.1	5.2	4.3
Government Activities	0.2	1.5	2.0	1.5
Oil Activities	-6.7	0.2	15.7	1.2
Fiscal Balance and Government Debt				
Fiscal Balance in bln SAR	-294	-73	90	74
Fiscal Balance in % GDP	-11.2	-2.3	2.3	1.9
Government debt in bln SAR	854	938	938	938
Government debt as % GDP	34.3	30.0	23.9	24.2
Trade and Current Account Balance				
Trade Balance in bln SAR	180	512	905	839
Trade Balance in % GDP	6.9	16.4	23.0	21.6
Current Account in bln SAR	-86	166	560	497
Current Account in % GDP	-3.3	5.3	14.3	12.8

source: GASTAT, SAMA, RC

	2020	2021	2022f	2023f
Oil Prices and Production (yearly average)				
Brent price (USD pb)	43.3	70.9	101.0	95.0
WTI price (USD pb)	39.4	68.0	97.0	91.0
OPEC Basket price (USD pb)	41.7	69.8	100.0	95.0
KSA oil production (mln bd)	9.2	9.1	10.6	10.7
Inflation and Interest Rates (year end)				
CPI Inflation (yearly average)	3.44	3.06	2.60	2.20
3M SAIBOR SAR	0.82	0.91	5.40	5.20
Reverse Repo Rate	0.50	0.50	4.50	4.75
Official Repo Rate	1.00	1.00	5.00	5.25
Labor Market (yearly average)				
Unemployment rate total in %	7.7	6.7	5.8	5.7
Unemployment rate Saudi in %	13.7	11.3	9.7	9.5
Labor force part. total in %	59.5	61.2	60.8	61.3
Labor force part. Saudi in %	48.8	50.1	51.5	52.6

source: GASTAT, SAMA, Bloomberg, RC

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