



Saudi Economic Chartbook

First Quarter 2021

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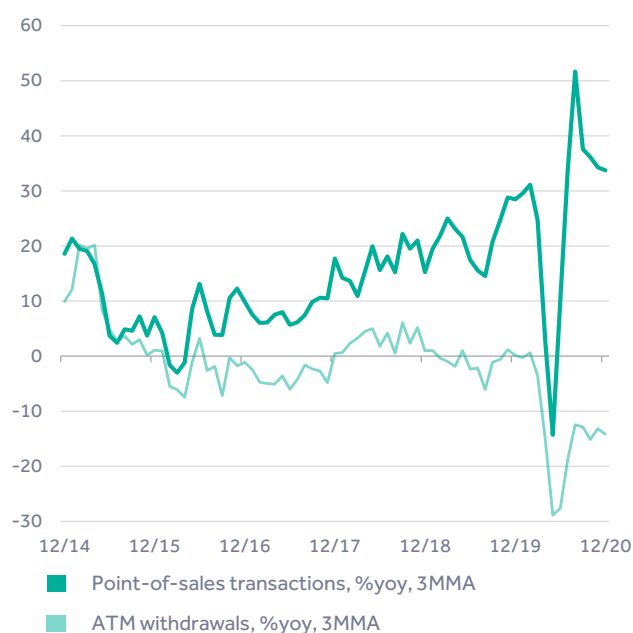
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Mounting Signs of a Sustained Recovery

- GDP flash estimates for the 4th quarter 2020 are signaling an accelerated rebound of the Saudi economy towards the end of the year 2020. This is most likely the result of a strengthened non-oil economy in the first place.
- In fact, there are mounting signs of a sustained recovery of non-oil economic growth. Purchasing manager indices have reached pre-crisis levels, private consumption indicators have sustainably rebounded and non-oil exports as well as imports show already positive yoy growth rates by the end of 2020.
- Next to a strong rebound in H2 2020, point-of-sales transaction and ATM withdrawal data also show a continued shift from cash to electronic payments by consumers in the last years - a trend which has been further accelerated by the pandemic outbreak in 2020 (see figure below).
- Liquidity is still ample in the Saudi banking system, not at least due to notable SAMA injections in the framework of its COVID-19 support programs. This is illustrated for instance in the statutory private sector loan-deposit-ratio which has reached multi-year lows.
- On the back of the restrained OPEC supply and a rebound in global economic activity, oil prices have recovered to pre-crisis levels. Favorable oil market conditions will allow Saudi Arabia to steadily expand its crude output after the unilateral cut of 1mbd in February and March.
- The Saudi equity market has started the year on a positive note with TASI taking the 9000 mark by mid-February. The expected earnings recovery will support the market with the elevated valuation being a limiting factor.

Pandemic Accelerating Shift to Electronic Payments



source: SAMA

Over the last years, consumers have incrementally shifted from cash payments (with proxy indicator ATM withdrawals) to electronic payments (i.e. point-of-sales transactions). This trend has been further accelerated by the COVID-19 pandemic in 2020.

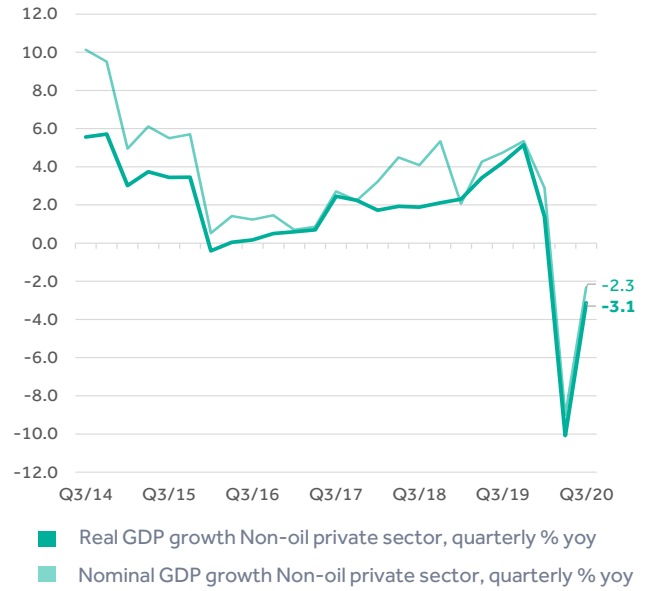
Gross Domestic Product (GDP) Overall Economy and Institutional Sectors

Figure 1:
Real GDP Overall Economy and Oil Sector



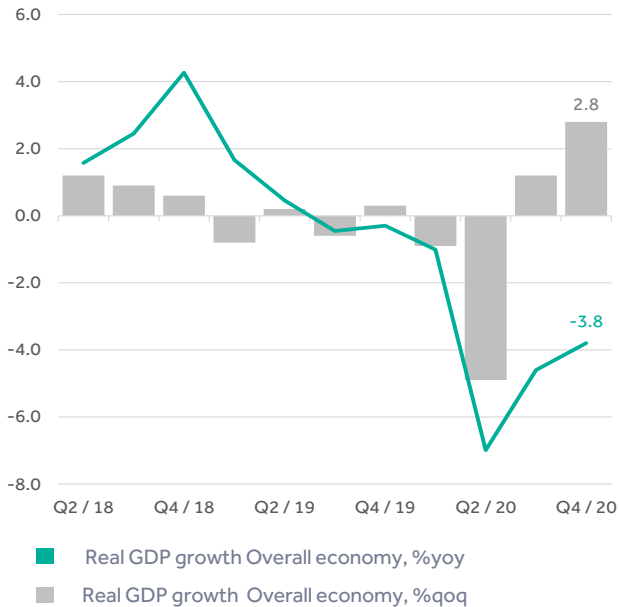
source: GASTAT

Figure 2:
Nominal and Real GDP Non-Oil Private Sector



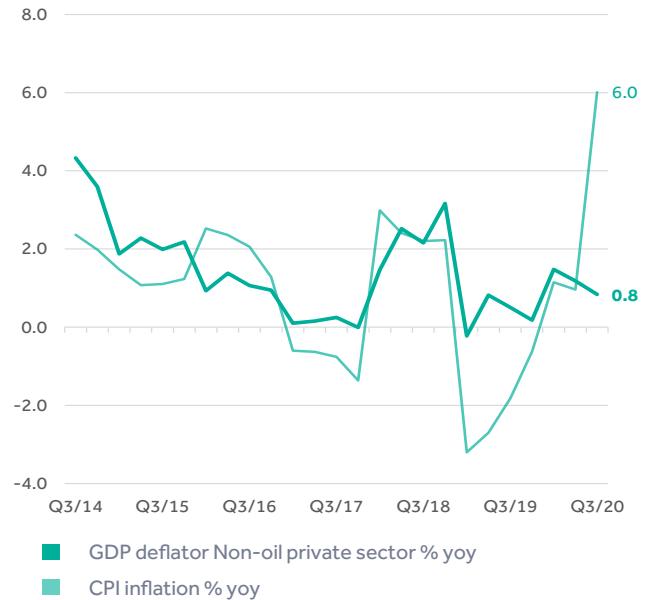
source: GASTAT

Figure 3:
GDP Overall Economy Flash Estimate Q4 2020



source: GASTAT

Figure 4:
GDP Deflator and CPI Inflation



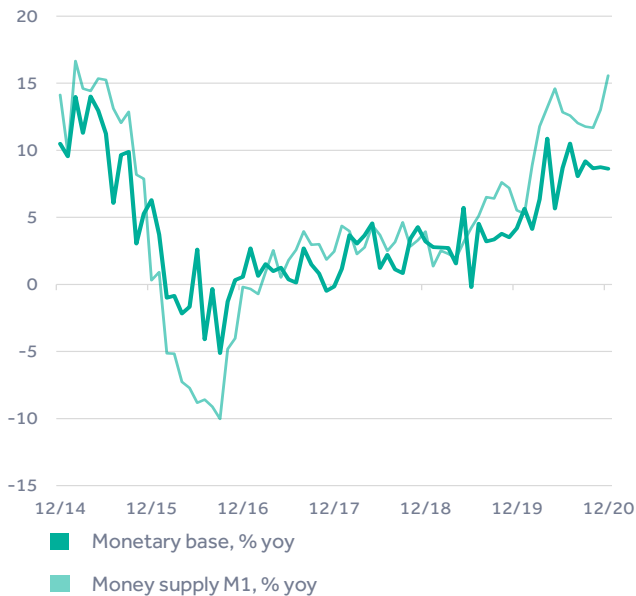
source: GASTAT

Flash estimates of Saudi GDP growth for Q4 2020 confirm the recovery path which already started in Q3 2020. According to these preliminary estimates, the economy expanded by 2.8% versus Q3 2020

after a growth rate of 1.2%qoq in the previous quarter. This implies an improvement of the year-over-year GDP growth rate from -4.6% in Q3 2020 to -3.8% in Q4 2020.

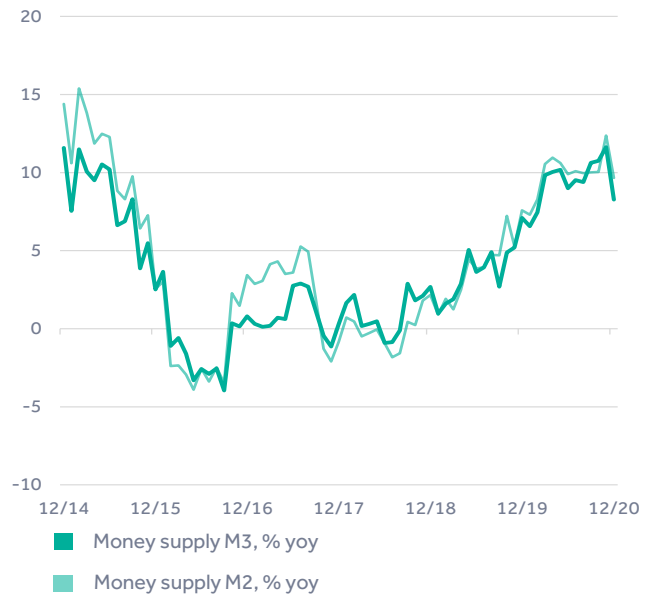
Monetary Aggregates, Credit and Commercial Banks' Deposits

Figure 1:
Growth Rate Monetary Base and Money Supply M1



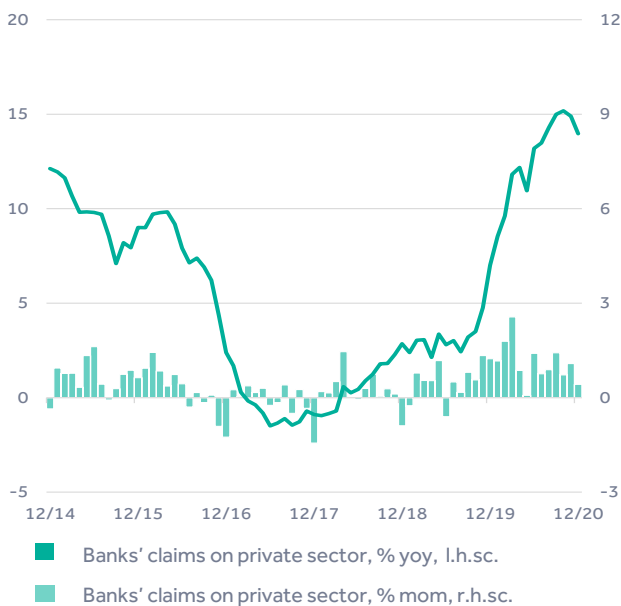
source: SAMA

Figure 2:
Growth Rate Money Supply M2 and M3



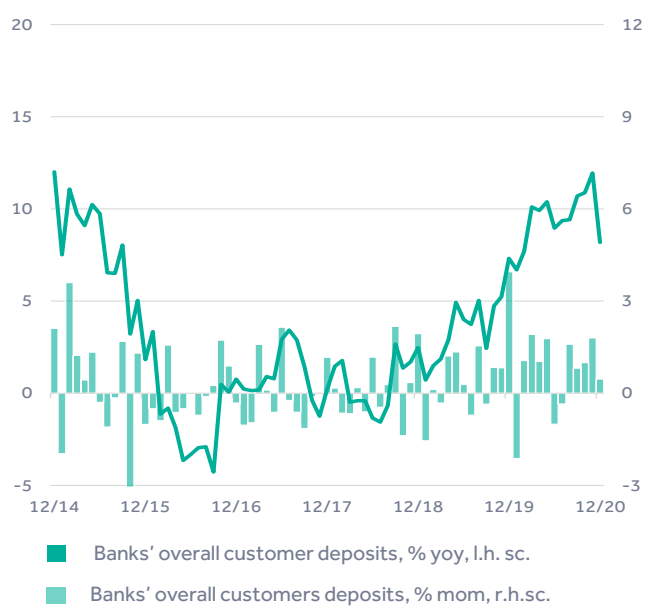
source: SAMA

Figure 3:
Growth of Credit to the Private Sector



source: SAMA

Figure 4:
Growth of Commercial Banks' Deposits



source: SAMA

Growth of broader money supply aggregates M2 and M3 dropped in December from 12.4%yoy to 9.7%yoy respectively 11.6%yoy to 8.3%yoy. Customer deposit growth correspondingly declined

from 11.9%yoy to 8.2%yoy in December. This is considered a temporary phenomenon as it is primarily the result of a base effect with customer deposits temporarily peaking in December 2019.

Commercial Banks Key Ratios

Figure 1:
Private Sector Loan-Deposit-Ratio

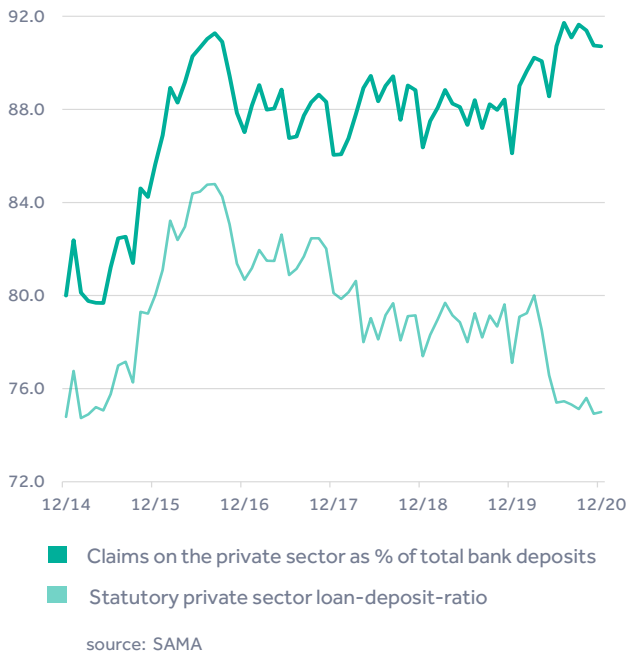


Figure 2:
Government Sector Loan-Deposit-Ratio

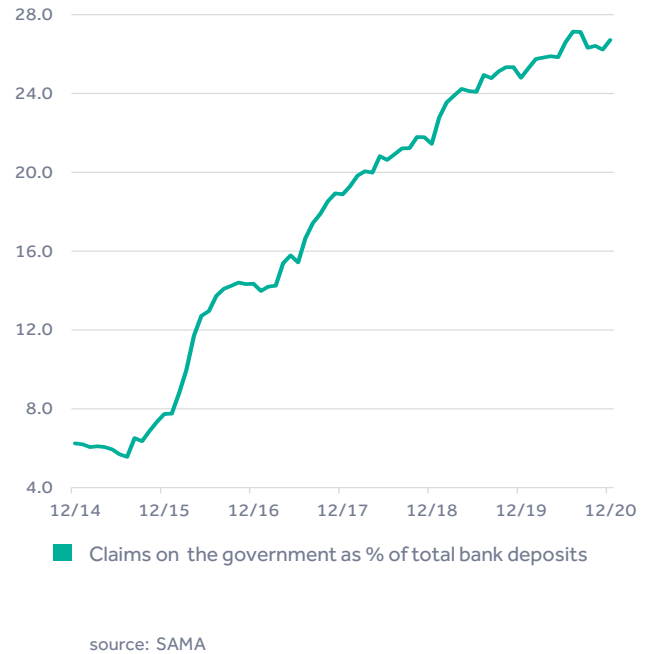


Figure 3:
Foreign Assets to Total Assets Ratio

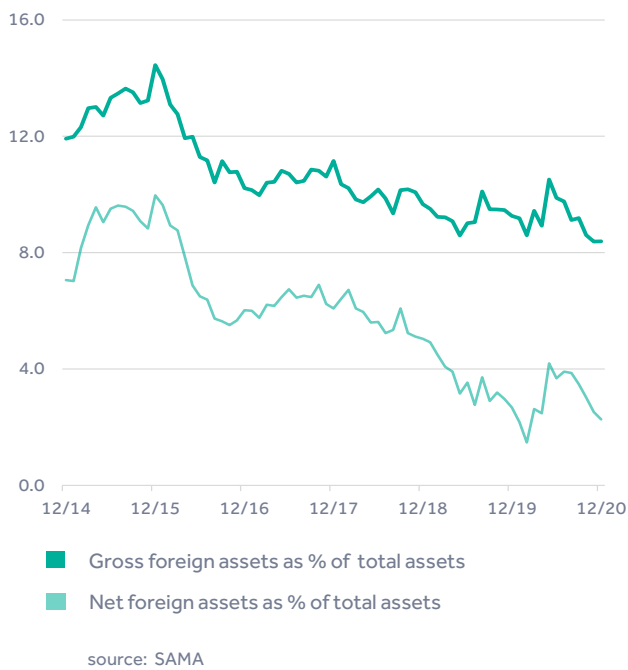


Figure 4:
Excess Liquidity to Total Assets Ratio



The statutory private sector LDR has reached a multi-year low by end of 2020. Its divergence to the simple LDR can primarily be explained by SAMA liquidity injections to the banking sector which are

not taken into account in the simple LDR. Due to these SAMA injections liquidity is still ample in the banking system, reflected in an excess liquidity to total assets ratio at a record of 21.3 % in Dec 2020.

SAMA Balance Sheet: Key Elements of Assets and Liabilities

Figure 1:
Foreign Currency Reserves at SAMA

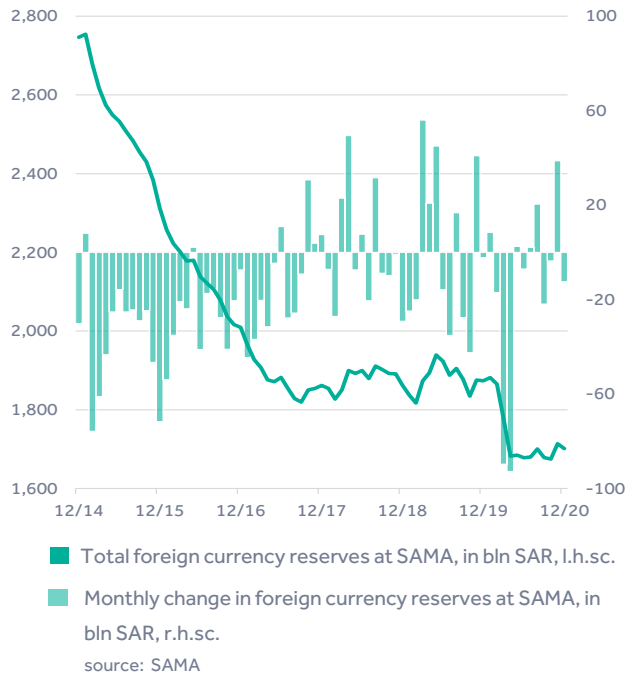


Figure 2:
Government Deposits at SAMA

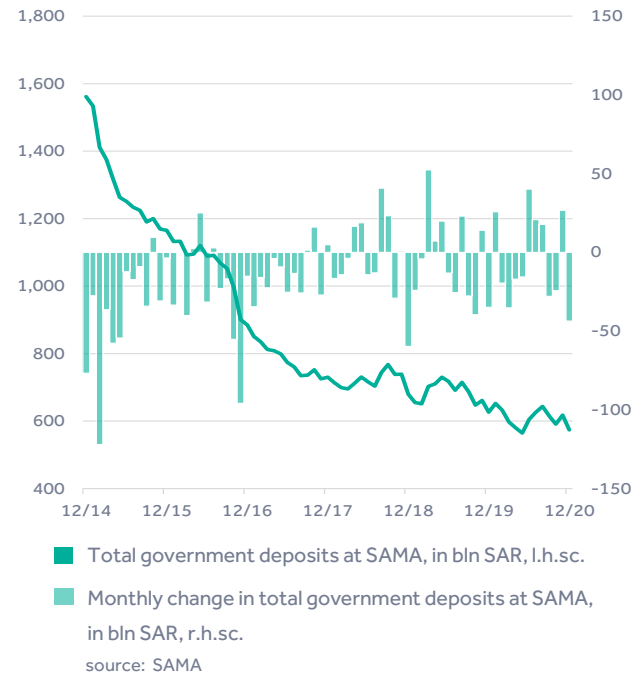


Figure 3:
Breakdown of Foreign Currency Reserves at SAMA

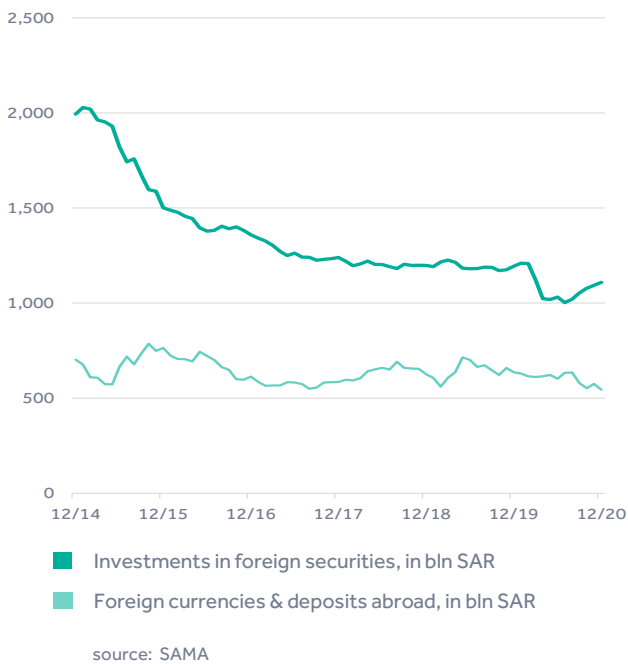
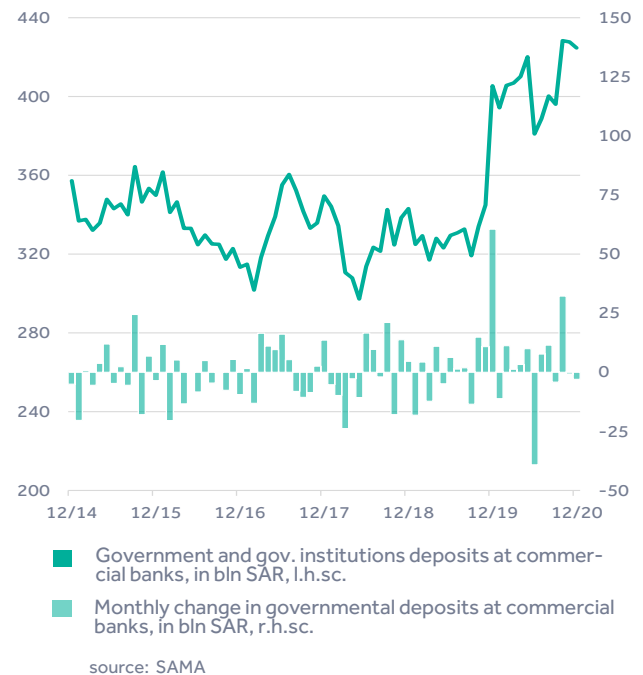


Figure 4:
Government Deposits at Commercial Banks

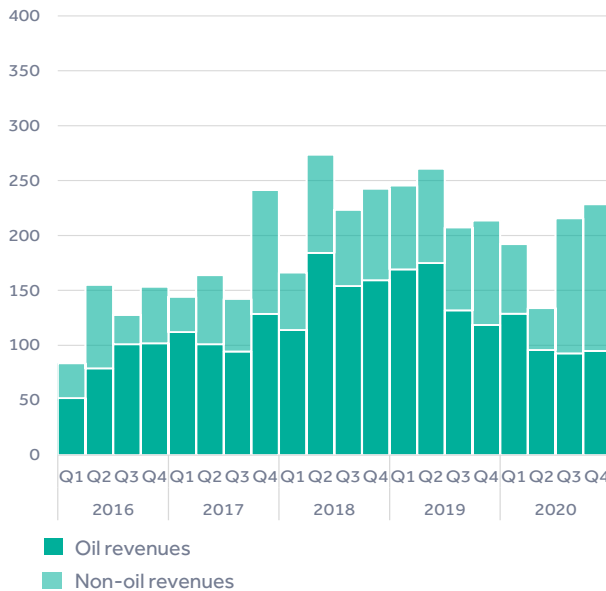


After the drawdown in Spring 2020, which was mainly due to an asset transfer from SAMA to PIF, foreign currency reserves at SAMA gradually rose again to a level of 1701bln SAR in December. Over

the same period, investments in foreign securities with SAMA increased by 86bln SAR to 1109bln SAR, partly at the expense of foreign currencies & deposits abroad which declined by 70 bln SAR.

Quarterly Fiscal Balance and Outstanding Government Debt

Figure 1:
Quarterly Fiscal Revenues (in bln SAR)



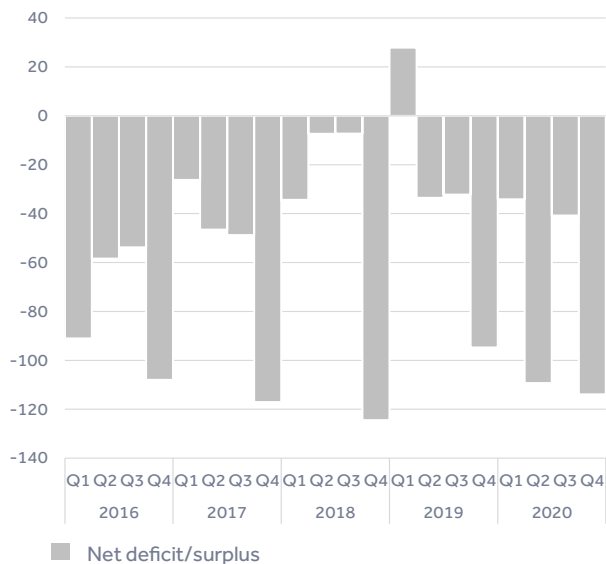
source: MoF

Figure 2:
Quarterly Fiscal Expenditure (in bln SAR)



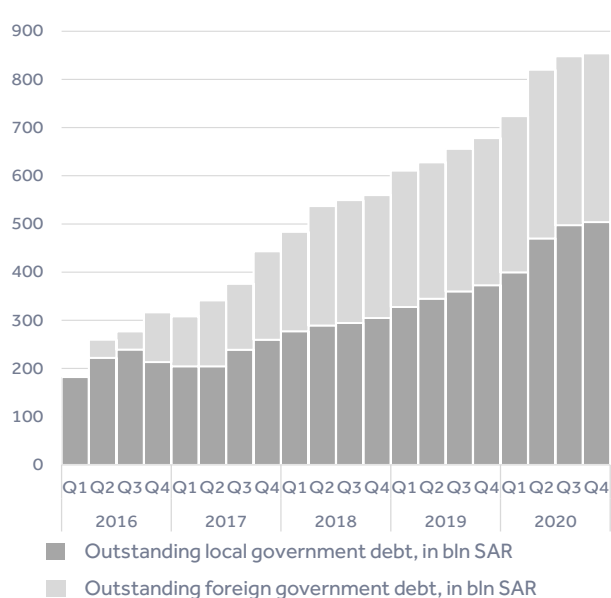
source: MoF

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



source: MoF

Figure 4:
Outstanding Government Debt (End of Quarter)



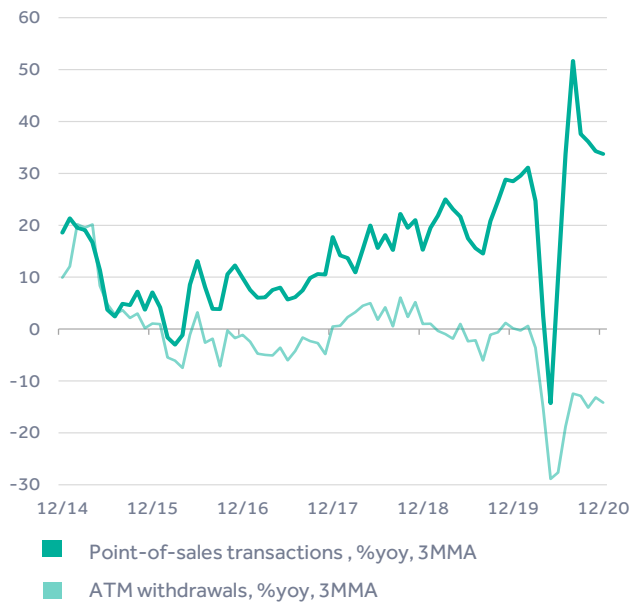
source: MoF

As in the previous years, the government increased spending in the last quarter of 2020, mainly due to sharply rising other operating expenditure outside government payroll costs. As a consequence, the

quarterly deficit widened to -114 bln SAR in Q4 2020. For the full year 2020, the fiscal deficit amounted to -298 bln SAR (12.0% of GDP), while overall debt rose to 854 bln SAR (34.3% of GDP).

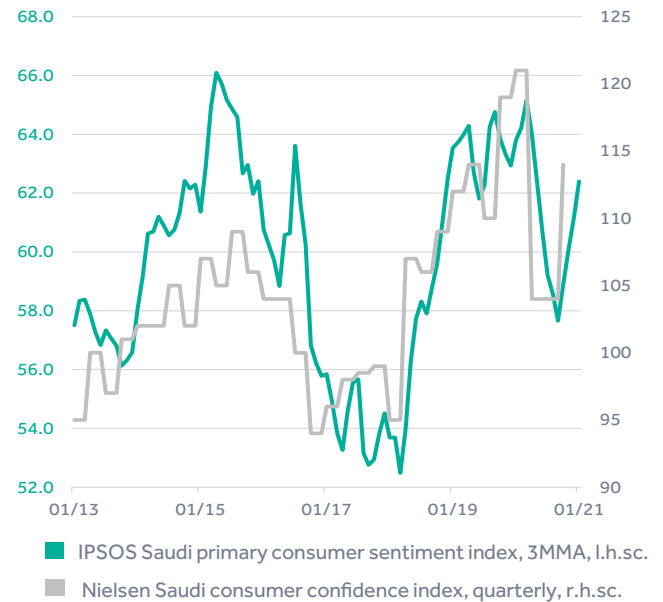
Private Spending Indicators and Non-Oil Foreign Trade

Figure 1:
Point-of-Sales Transactions and ATM Withdrawals



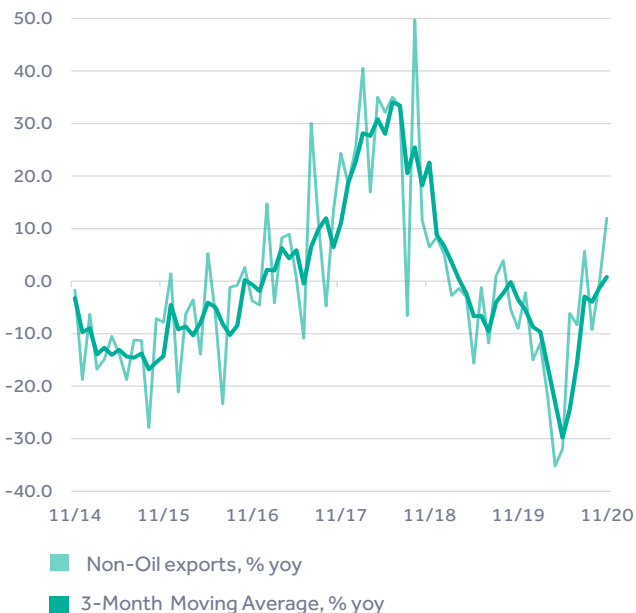
source: SAMA

Figure 2:
Consumer Sentiment



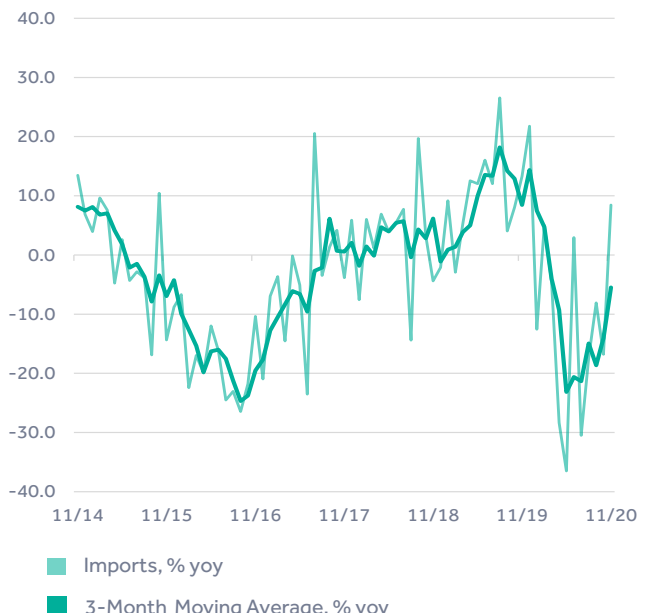
source: Refinitiv, Nielsen

Figure 3:
Growth of Non-Oil Exports



source: GASTAT

Figure 4:
Growth of Imports



source: GASTAT

Point-of-sales transactions and ATM withdrawals notably rebounded after a sharp slump in Q2 2020. Moreover, the pandemic outbreak accelerated the shift from cash to electronic payments - a trend

which already started about 5 years ago. Growth of non-oil exports and imports also recovered in H2 2020, turning positive versus the previous year (12.0% respectively 8.4%) in November 2020.

Non-Oil Private Sector Business Climate Indicators

Figure 1:
Purchasing Manager Index Composite

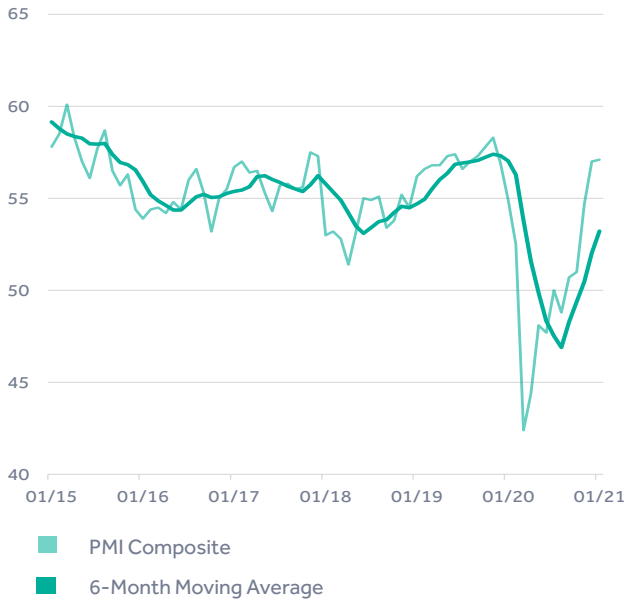


Figure 2:
Purchasing Manager Index Output

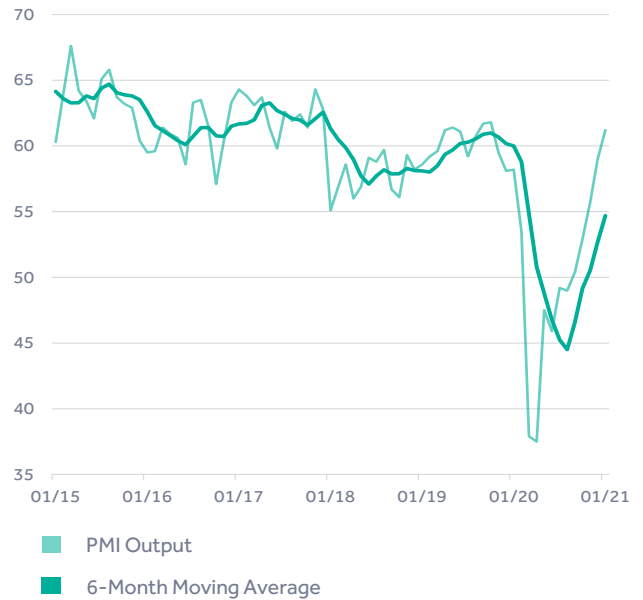
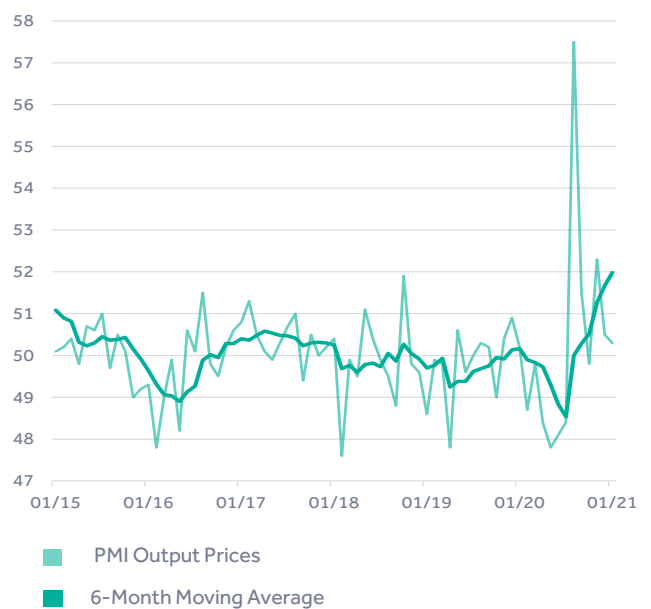


Figure 3:
Purchasing Manager Index New Orders



Figure 4:
Purchasing Manager Index Output Prices



The Saudi Purchasing Manager Index (PMI) climbed to 57.1 in January 2021, a pre-crisis level last seen in November 2019. The strong improvement of business conditions particularly in the course of Q4

2020 points towards an accelerated recovery of the non-oil economy towards the end of the year and into 2021. Meanwhile, the PMI Output prices continued to decline after the VAT induced spike in July.

Consumer and Wholesale Price Inflation

Figure 1:
Consumer Price Inflation All Items



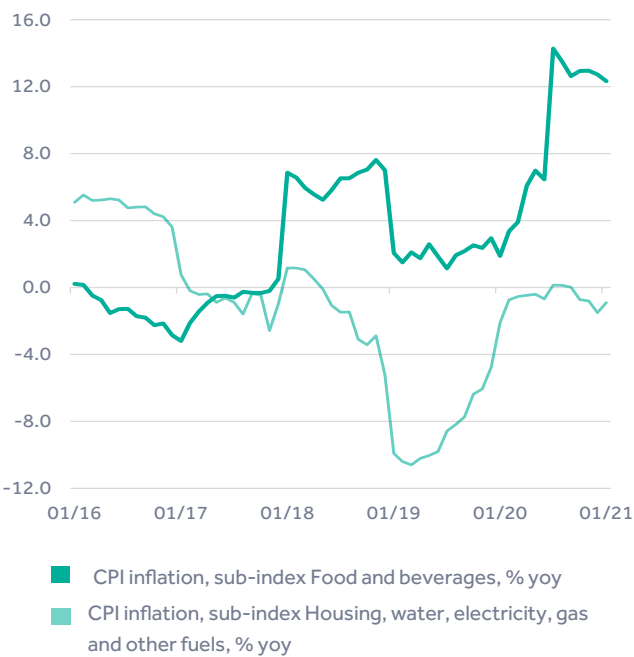
source: GASTAT

Figure 2:
Consumer Price and Wholesale Price Inflation



source: GASTAT

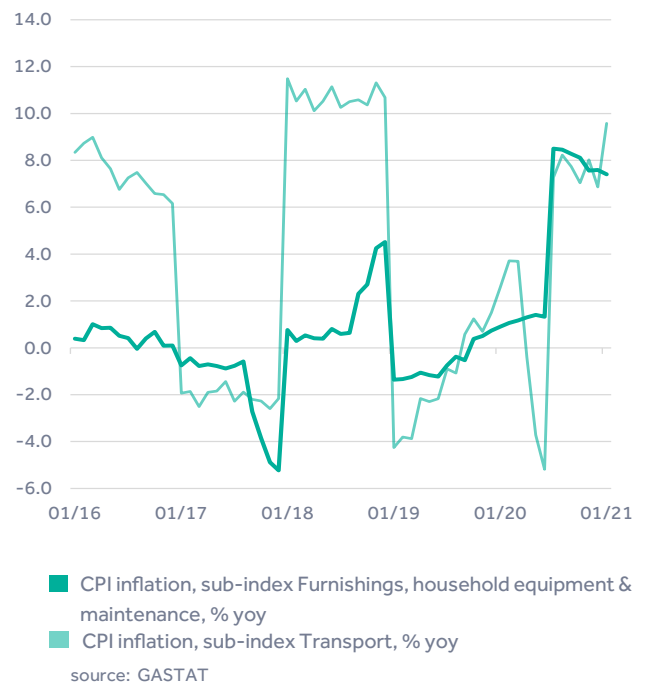
Figure 3:
CPI Inflation Food & Housing



source: GASTAT

CPI inflation averaged at 3.4% for the full year 2020 but remained elevated in January with 5.7%yoy. The key drivers are still food&beverage prices, as well as transportation costs with 12.4%yoy respec-

Figure 4:
CPI Inflation Furnishings & Transportation

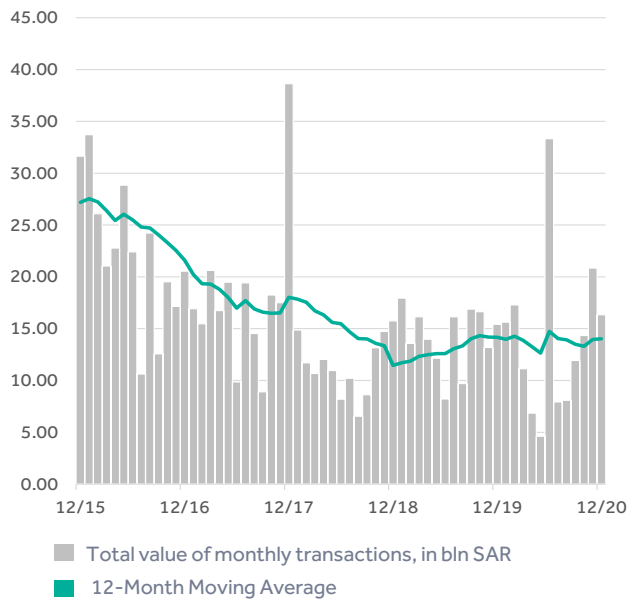


source: GASTAT

tively 9.5%yoy. Inflation is expected to notably drop from current elevated levels in July of this year as the impact of the VAT rate increase in July 2020 will fall out of the observation period.

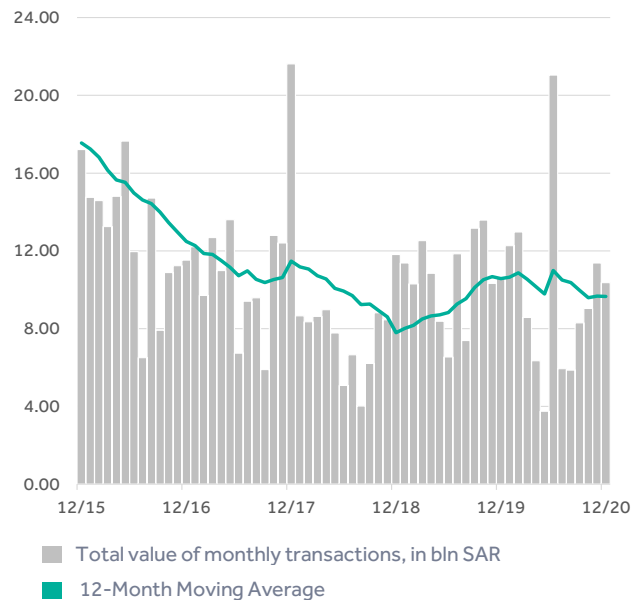
Real Estate Market: Transaction Activity

Figure 1:
Monthly Real Estate Transactions Overall Country



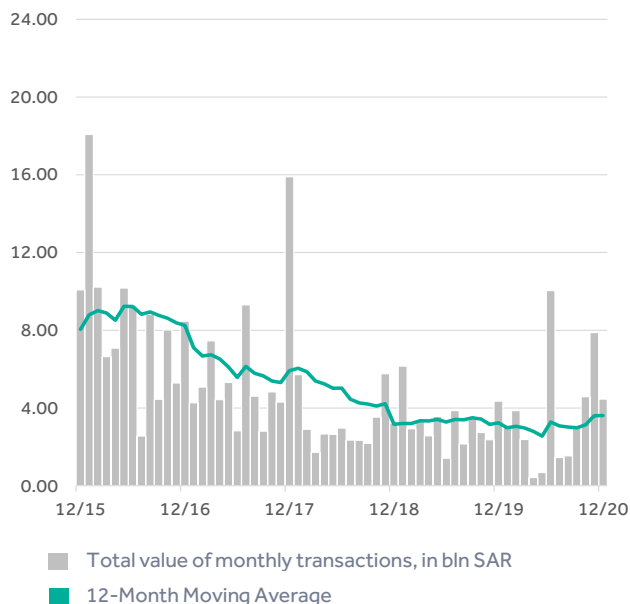
source: MOJ, RC

Figure 2:
Monthly Residential Real Estate Transactions



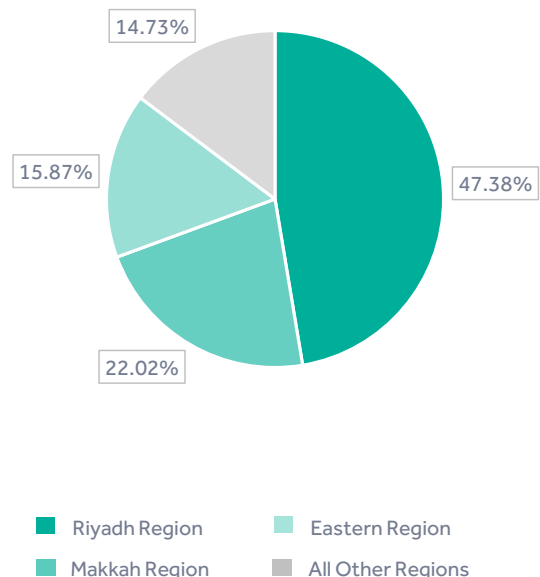
source: MOJ, RC

Figure 3:
Monthly Commercial Real Estate Transactions



source: MOJ, RC

Figure 4:
Breakdown of Transaction Value by Regions (Q4 2020)



source: MOJ, RC

The real estate transaction volumes notably increased since the pandemic induced slump in Q4 2020. From May to December, the total turnover for residential and commercial transactions rose

from 4.6 bln SAR to 16.3 bln SAR. Almost half of the countrywide transaction value of Q4 2020 (47%) was allocated in the Riyadh region, while the Makkah and the Eastern region covered 22% and 16%.

Real Estate Market: Price Indices

Figure 1:
Residential and Commercial Price Indices

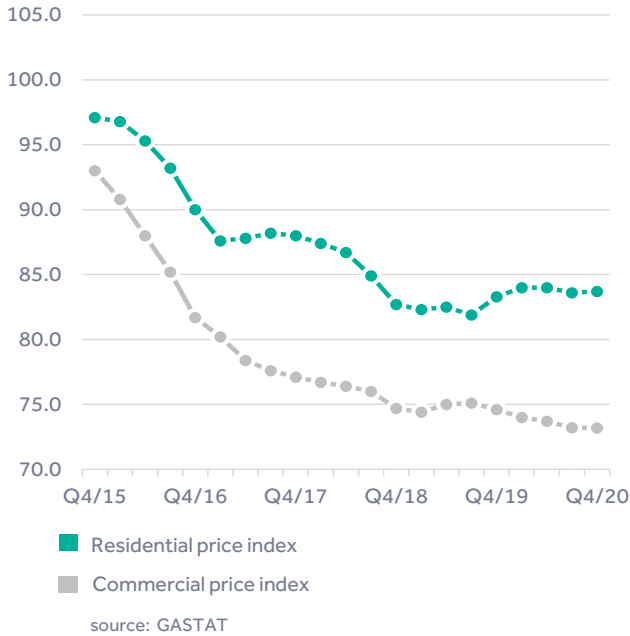


Figure 2:
Residential and Commercial Land Price Indices

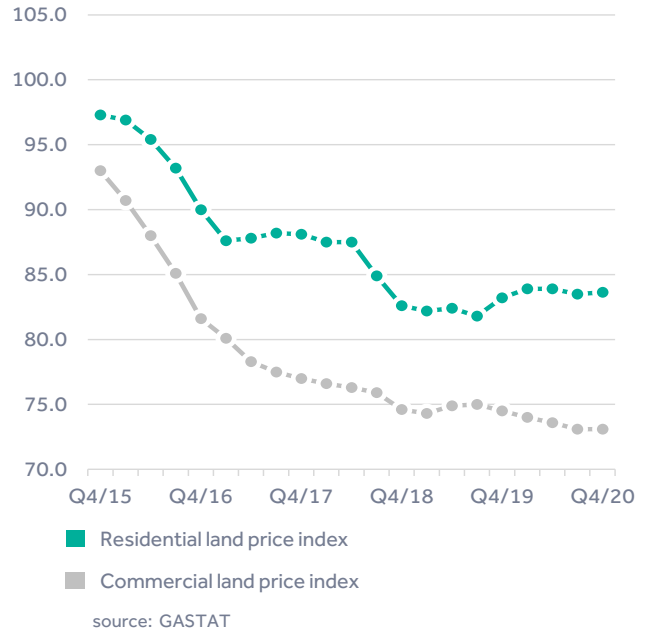


Figure 3:
Residential Villas and Apartments Price Indices

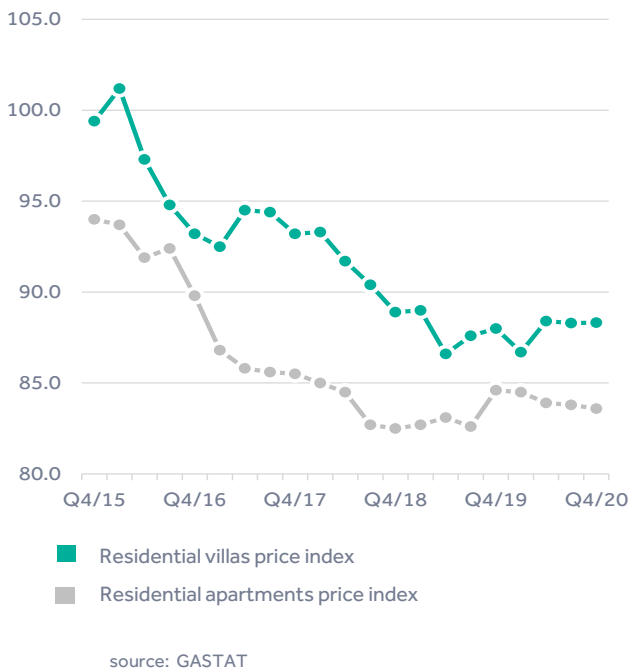
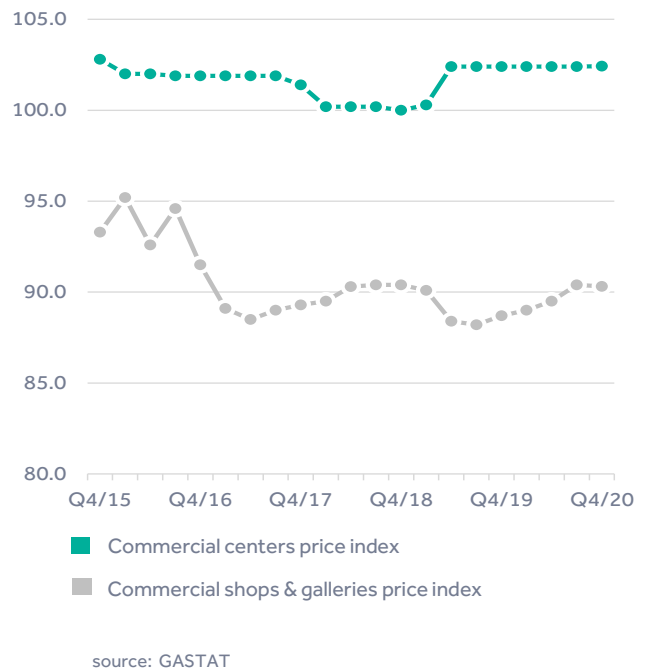


Figure 4:
Commercial Shops and Centers Price Indices

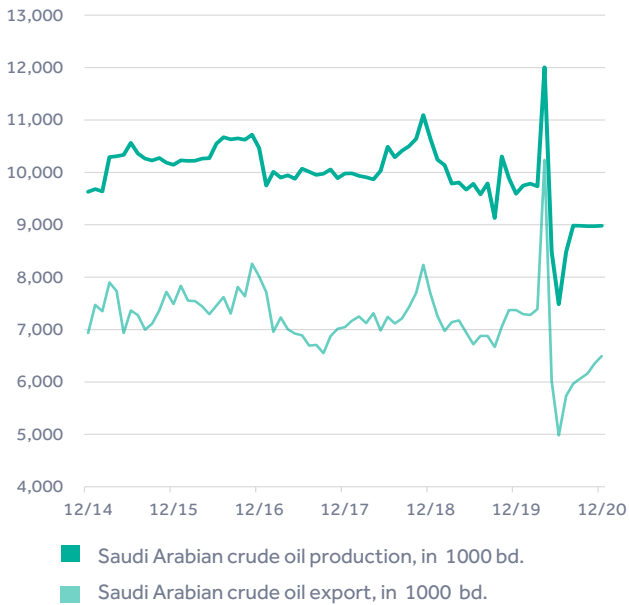


On the back of increased transaction volumes, real estate prices generally stabilized in the last quarter of the year with the residential price index exhibiting a marginal uptick from 83.6 to 83.7 and the com-

mercial price index unchanged at 73.2 versus the previous quarter. This essentially reflects the trend in land prices which represent 95% of residential and 99% of commercial real estate price indices.

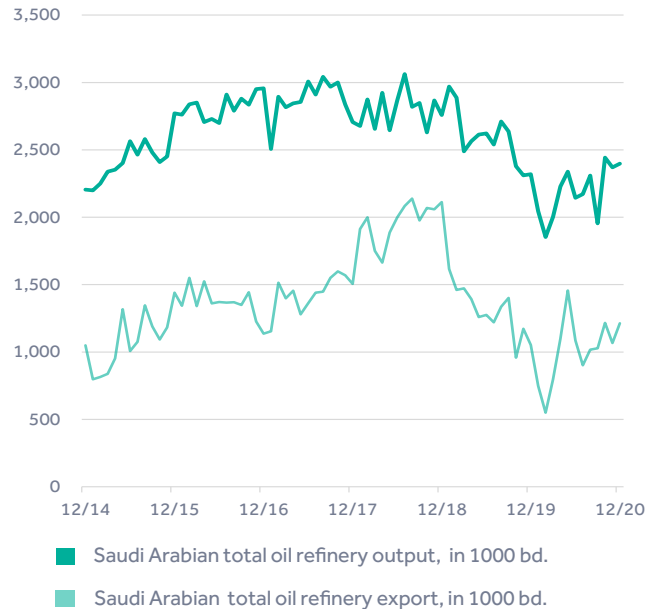
Oil Market Statistics: Production, Exports, Refinery and Prices

Figure 1:
Saudi Crude Oil Production and Exports



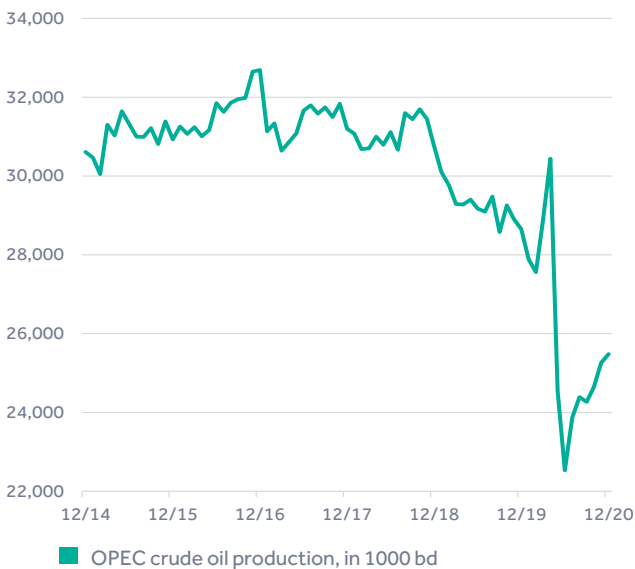
source: JODI, Bloomberg

Figure 2:
Saudi Crude Refinery Output and Exports



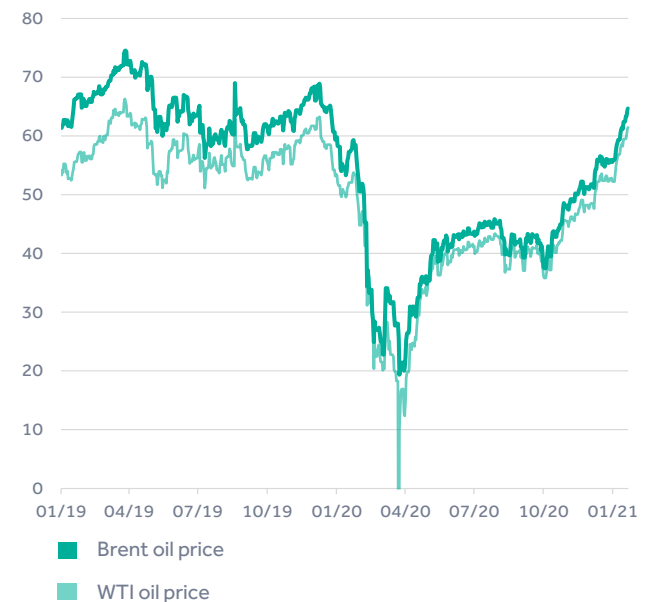
source: JODI

Figure 3:
OPEC Crude Output



source: JODI, Bloomberg

Figure 4:
Oil Prices



source: Bloomberg

The Saudi crude production was unchanged around 9.0mmbd from August to December 2020, while crude exports were lifted from 6.0mmbd to 6.5mmbd. Meanwhile, OPEC raised its output from 24.4mmbd to

25.7mmbd over the same period. On the back of the restrained OPEC supply and a rebound in global economic activity, oil prices recovered to pre-crisis levels with Brent oil above 60USD in February 2021.

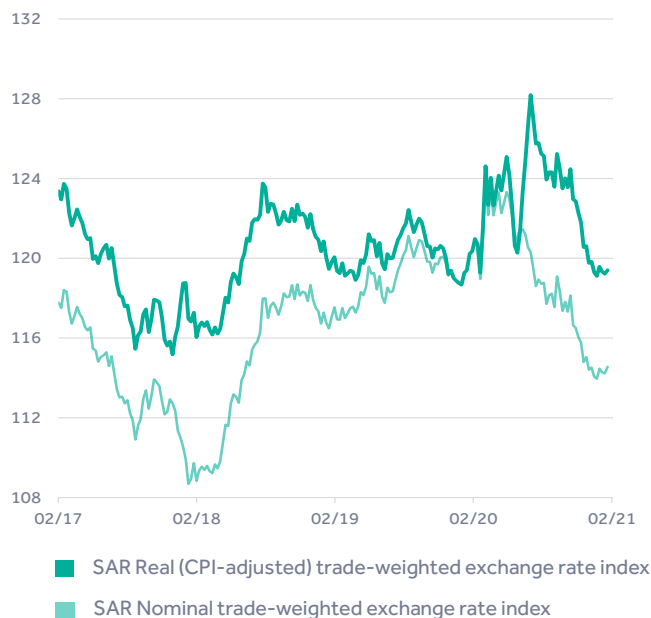
Foreign Exchange: Forward Rates and Effective Exchange Rate Index

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



source: Bloomberg

Figure 2:
SAR Nominal and Real Effective Exchange Rate



source: Bloomberg, JP Morgan

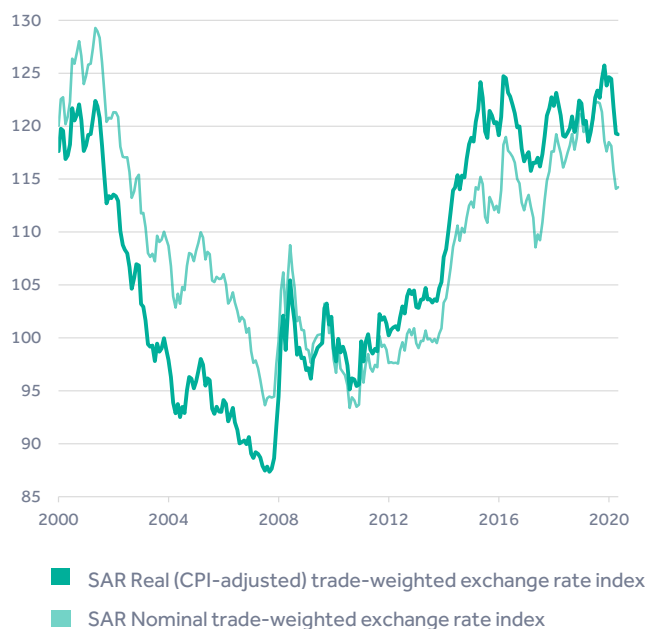
Figure 3:
12-Months Forward Exchange Rate USD/SAR in the Long Term



source: Bloomberg

The USD/SAR forward premium has continued to ease into the year 2021 and is currently only gradually above the pre-pandemic lows of January 2020. Against the background of a general weakness of

Figure 4:
SAR Nominal and Real Effective Exchange Rate in the Long Term



source: Bloomberg, JPMorgan

the US currency, the nominal SAR exchange rate index declined since July 2020 by -5.0%, while the real SAR exchange rate index dropped by -6.9% over this period.

Interest Rates: Money Market, Capital Market and Central Bank Rates

Figure 1:
3-Months SAIBOR vs. USD LIBOR

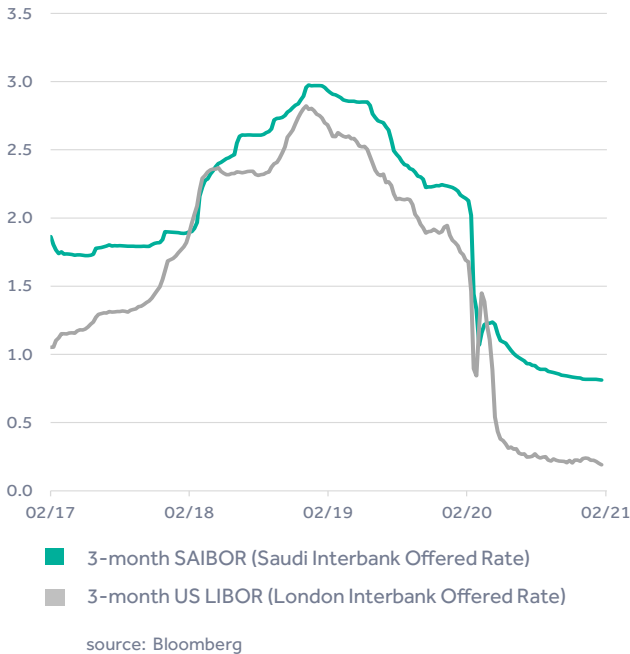


Figure 2:
5-Year Swap Rate SAR vs. USD

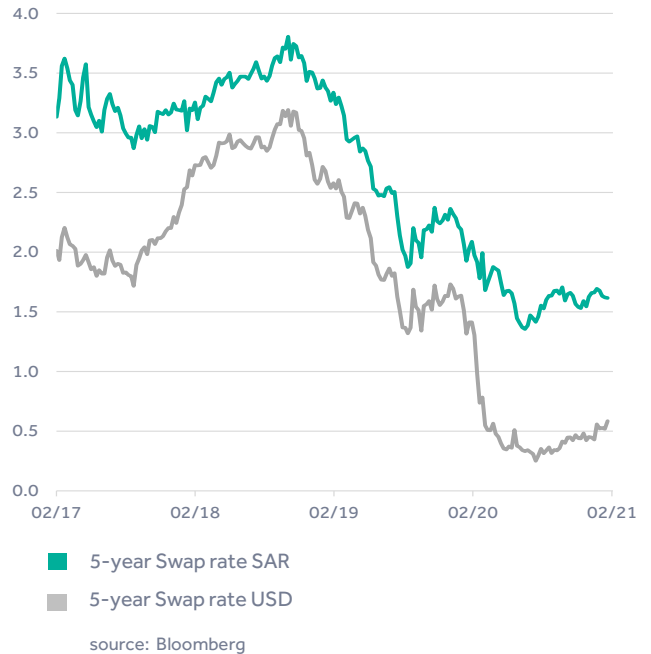
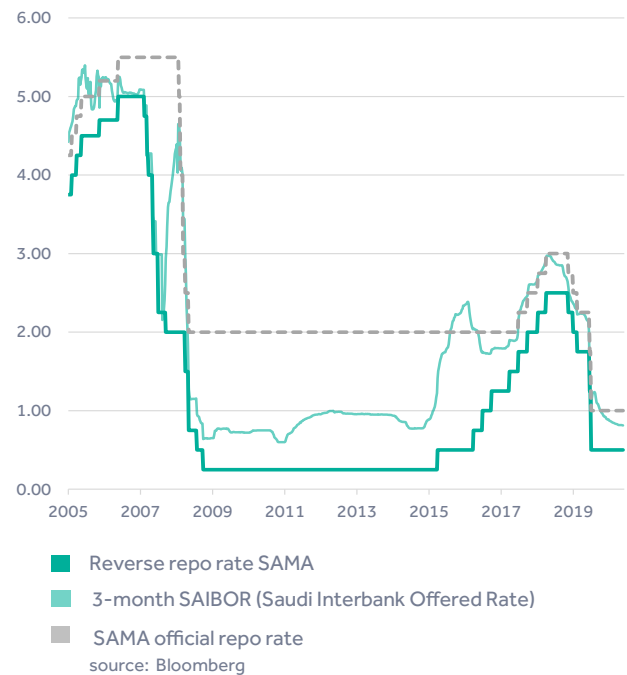


Figure 3:
KSA USD-Bonds Yield Spread to US Treasuries



3M SAIBOR declined to 0.81% by mid-February 2021, while 3M USD LIBOR eased to 0.19%. The SAIBOR-LIBOR spread stabilized around 60bp in the last three months. Against the backdrop of rising US

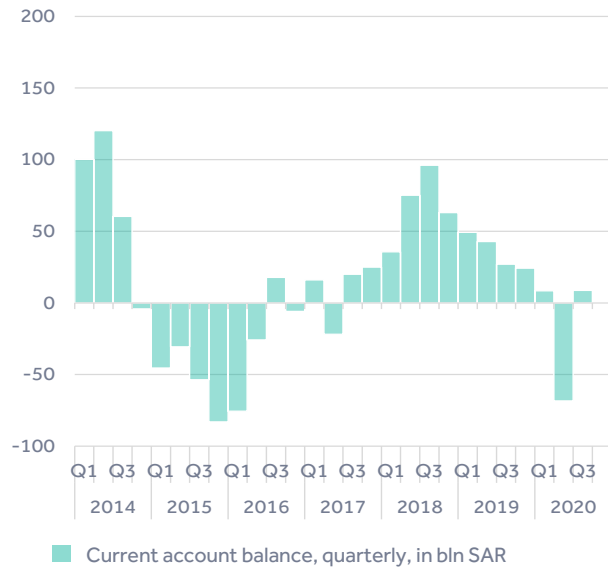
Figure 4:
Central Bank Rate and 3-Months SAIBOR



treasury yields, credit spreads of KSA USD-bonds generally tightened - since September 2020 for the 5-year tenor from 1.39% to 0.89% and for the 30-year tenor from 2.08% to 1.61%.

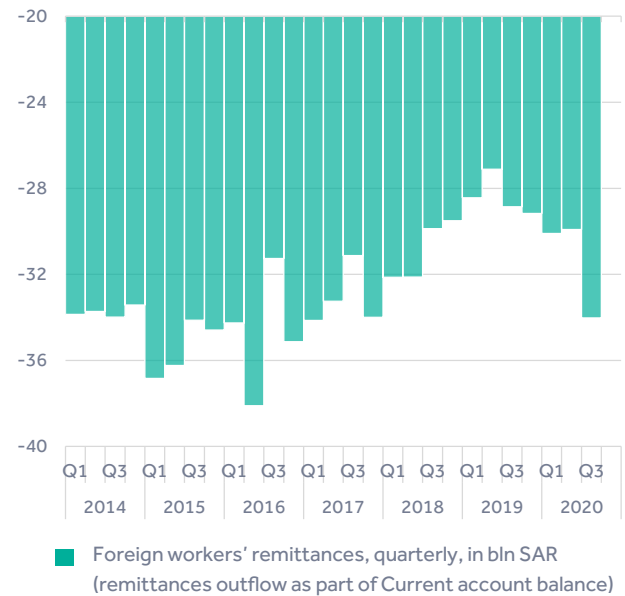
Saudi Balance of Payments

Figure 1:
Current Account Balance



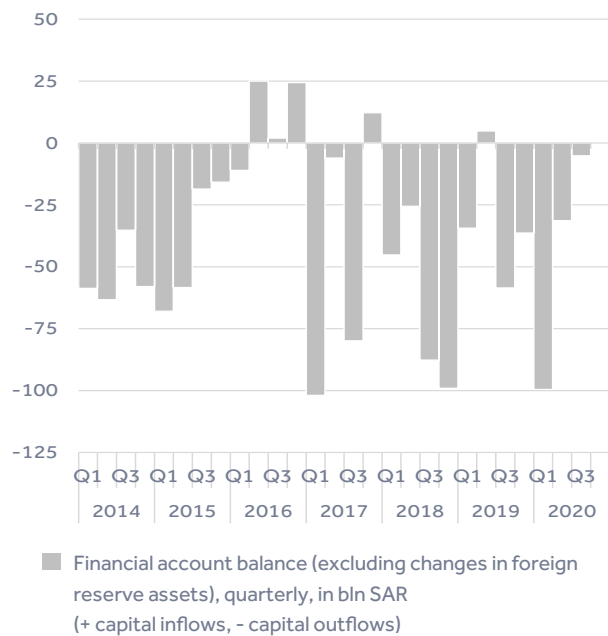
source: SAMA

Figure 2:
Foreign Workers' Remittances



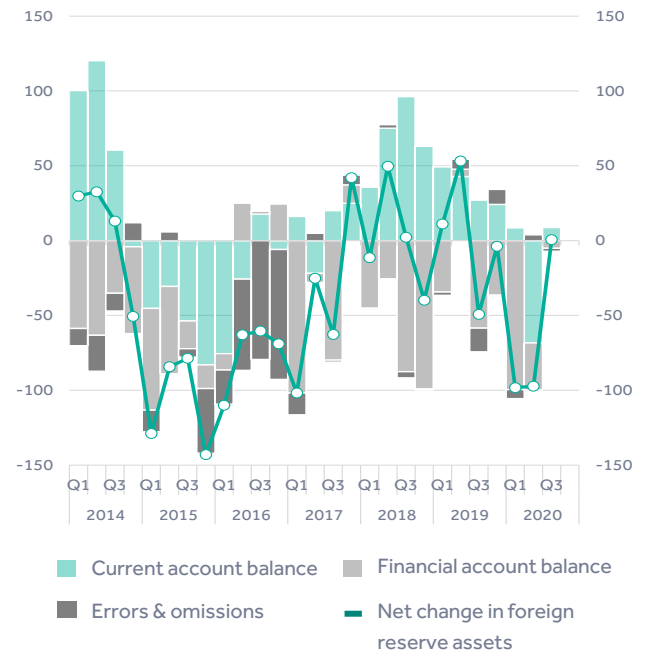
source: SAMA

Figure 3:
Financial Account Balance



source: SAMA

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



source: SAMA

The quarterly current account balance recovered to a small surplus of 8.7bln SAR in Q3 2020 after having dropped by -68bln SAR in Q2 2020 - the first negative reading for 3 years. Meanwhile, the private fi-

ancial account balance diminished to a small deficit of -5.2bln SAR in Q3 2020. As a consequence, the official foreign currency reserves overall increased by a marginally positive amount over this period.

Tadawul: Saudi Equity Market Statistics

Figure 1:
Tadawul All-Share Index

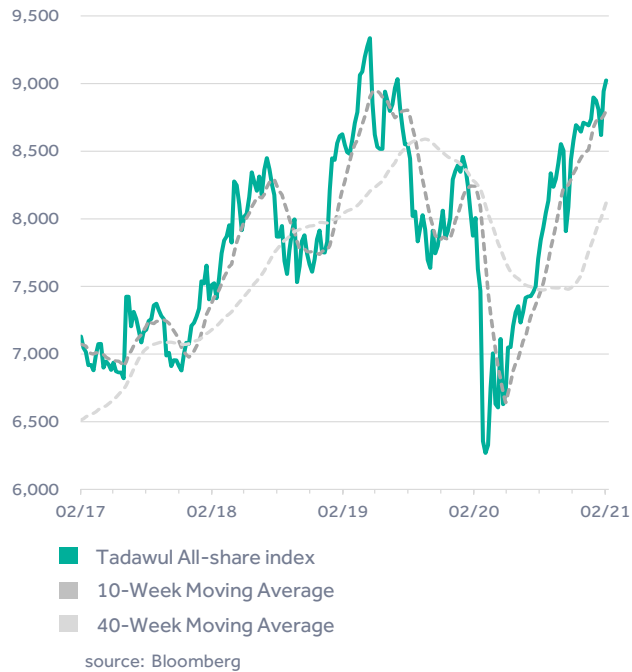


Figure 2:
Tadawul Average Daily Traded Value

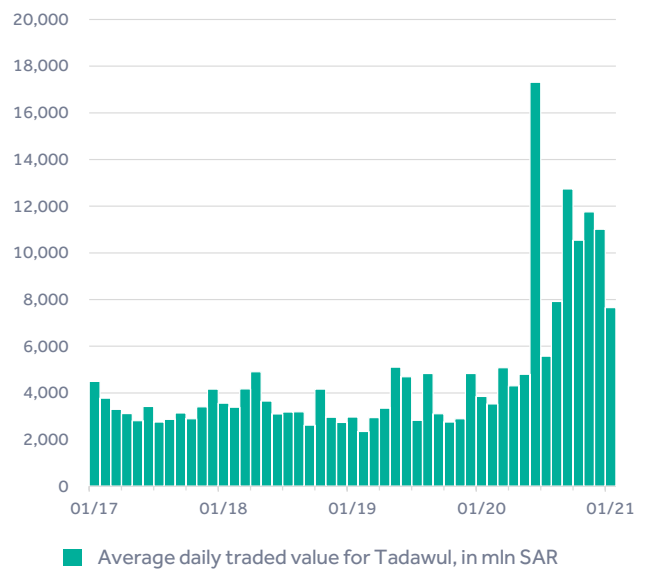


Figure 3:
Weekly Net Purchase by Ownership (in bln SAR)

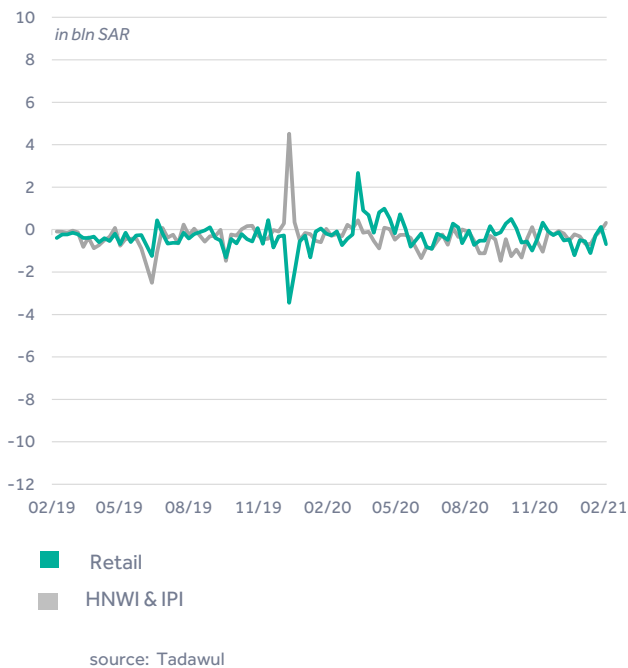
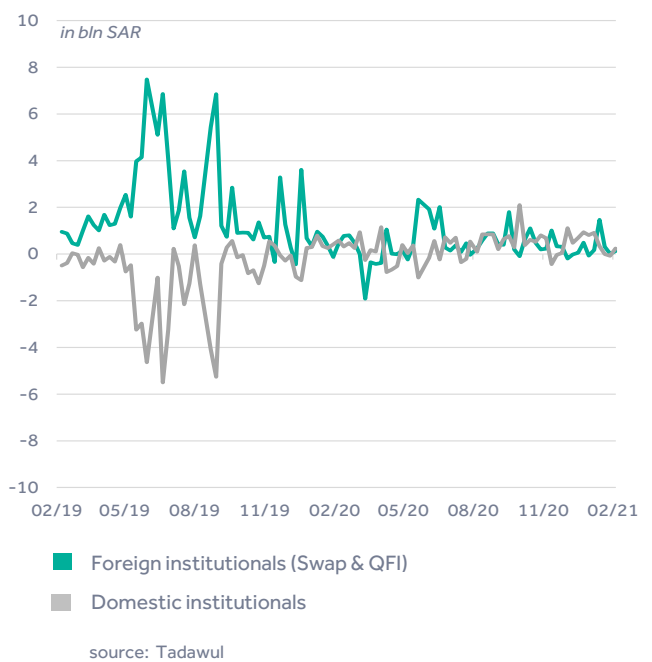


Figure 4:
Weekly Net Purchase by Ownership (in bln SAR)

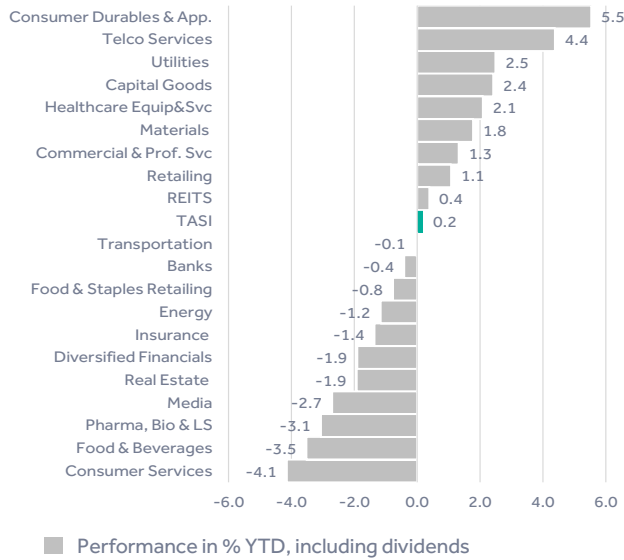


The Saudi equity market started the new year on a positive note. Tadawul All-share index (TASI) crossed the 9000 mark by mid-February. For the full year 2020, TASI had shown a positive performance

of 6.67% including dividend payments. Meanwhile, average daily turnover on Tadawul declined in January to 7.66bln SAR after 11.02bln SAR in December and an average of 8.32bln SAR for the full year 2020.

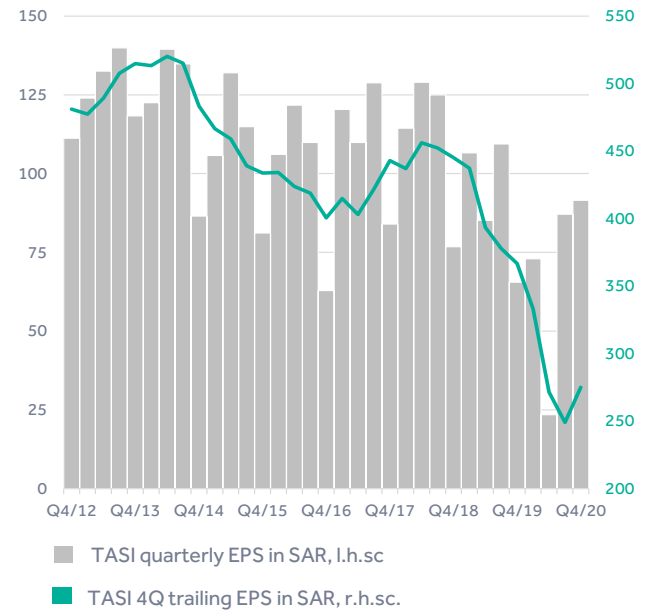
Tadawul: Saudi Equity Market Statistics

Figure 1:
Performance TASI Sectors Jan 2021YTD



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

Consumer durables & apparel and telecom services were the top performing sectors in January 2021, while consumer services and food&beverage were lagging over the same period. Quarterly earnings

recovered in H2 after a historic low in Q2 2020, which was triggered by the pandemic outbreak. From a valuation perspective the Saudi equity market looks still expensive by historical standards.

Saudi Economic Outlook

The Saudi economy is set to recover in 2021 from the recession in the previous year which was caused by the outbreak of the COVID-19 pandemic.

This scenario is based on the assumption that the COVID-19 related precautionary measures will be broadly scaled back in the course of Q2. This will pave the way for a growth acceleration in H2 2021.

This particularly applies to the Saudi non-oil private sector economy which we forecast to expand by 3.8% in 2021 after an estimated contraction of -3.6% in the year before.

Furthermore, we believe that favourable oil market conditions will allow Saudi Arabia to steadily expand its crude production up to 9.5mbd after the unilateral cut by 1mbd in February and March.

This will translate into a positive growth contribution by the oil sector in 2021 after two consecutive years of negative growth.

As a result, GDP growth of the overall economy is forecasted to expand by 3.0% in 2021 after an estimated contraction of -3.9% in 2020.

The fiscal deficit is projected to shrink to -5.3% of GDP in 2021 after 12.0% in 2020. This can be explained by substantially higher oil- and non-oil revenues as well as moderate spending cuts versus last year.

Due to notably higher oil export revenues, the current account balance is expected to turn positive again in 2021 with 2.9% of GDP after last year's small deficit (-1.7% of GDP).

CPI inflation, which currently is above 5%, will substantially drop in July of this year as the VAT rate increase of July 2020 will fall out of the observation period. For the full year 2021 we forecast inflation to average at 3.3% after 3.4% last year.

The US Federal Reserve is expected to keep interest rates unchanged at least until the end of 2022. We, therefore, expect SAMA to also leave its repo and reverse repo rate at current levels.

Against this background, there is some limited room for further SAIBOR-LIBOR spread tightening. As a consequence, we forecast 3M SAIBOR to decline from currently 0.81% to 0.70% until end of this year.

Facts and Forecasts at a Glance

	2018	2019	2020e	2021f
Real GDP Growth				
Overall economy	2.4	0.3	-3.9	3.0
Non-oil Private sector	1.9	3.8	-3.6	3.8
Government sector	2.9	2.2	-1.2	1.8
Oil sector	3.1	-3.6	-5.2	2.6
Fiscal Balance and Government Debt				
Fiscal Balance in bln SAR	-174	-133	-298	-151
Fiscal Balance in % GDP	-5.9	-4.5	-12.0	-5.3
Government debt in bln SAR	560	678	854	940
Government debt as % GDP	19.0	22.8	34.3	32.8
Trade and Current Account				
Trade Balance in bln SAR	633	485	210	363
Trade Balance in % GDP	21.5	16.3	8.5	12.7
Current Account in bln SAR	265	187	-43	83
Current Account in % GDP	9.0	6.3	-1.7	2.9

source: GASTAT, SAMA, RC

	2018	2019f	2020e	2021f
Oil Prices and Production (yearly average)				
Brent price (USD pb)	71.7	64.1	43.3	60.0
WTI price (USD pb)	64.9	57.0	39.4	57.0
OPEC Basket price (USD pb)	69.8	64.0	41.7	59.0
KSA oil production (mln bd)	10.3	9.8	9.2	9.3
Inflation and Interest Rates (year end)				
CPI Inflation (yearly average)	2.46	-2.09	3.44	3.30
3M SAIBOR SAR	2.98	2.23	0.82	0.70
Reverse Repo Rate	2.50	1.75	0.50	0.50
Official Repo Rate	3.00	2.25	1.00	1.00
Labor Market (yearly average)				
Unemployment rate total in %	6.0	5.6	7.9	7.2
Unemployment rate Saudi in %	12.8	12.2	14.2	13.0
Labor force part. total in %	56.0	57.9	59.2	59.4
Labor force part. Saudi in %	42.0	44.9	48.4	48.9

source: GASTAT, SAMA, Bloomberg, RC

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