



Saudi Economic Chartbook

First Quarter 2022

Hans Peter Huber, PhD
Chief Investment Officer
rcciooffice@riyadcapital.com

Table of Contents:

GDP Data2

Monetary Aggregates, Credit and Commercial Banks' Deposits.....3

Fiscal Balance and Government Debt.....6

Private Spending Indicators and Non-Oil Business Climate7

Cement Sector and Non-oil Exports and Imports.....8

Inflation Indicators9

Real Estate Market10

Oil Market Statistics.....12

Foreign Exchange and KSA Credit Spread.....13

Saudi Balance of Payments15

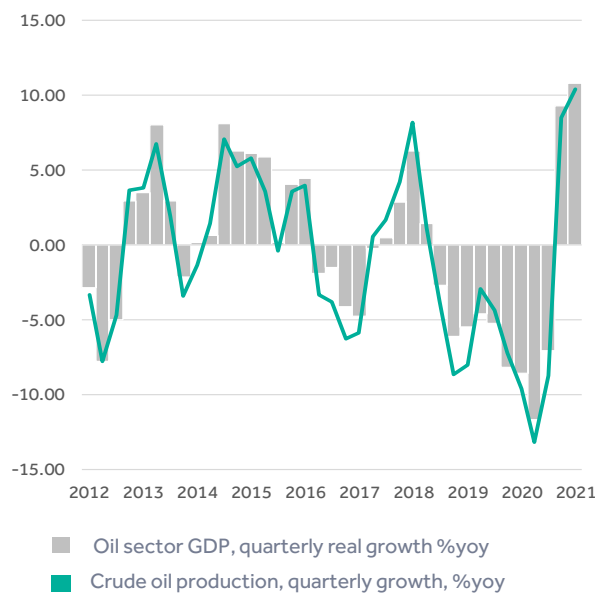
Saudi Equity Market16

Saudi Economic Outlook18

Oil Sector Primary Growth Driver in 2022

- Flash estimates for Q4 2021 indicate that the Saudi economy recorded a real growth of 6.8%yoy, slightly below the multi-year peak of 7.0% in Q3 2021. Oil sector growth further expanded to 10.8%yoy, while non-oil private sector growth gradually slowed to a still robust 5.0%yoy in Q4 2021.
- The rebound of oil sector GDP has to be seen on the back of a sustained crude production increase since Spring 2021. This distinct oil output expansion is expected to continue in 2022. As a result, the oil sector will be the primary GDP growth driver for 2022 (see graphic below).
- Higher oil prices and increasing oil exports have resulted in a considerable current account balance surplus in the course of 2021. We expect this trend to carry over to 2022 and forecast the current account surplus to reach 7.5% of GDP after estimated 4.9% in 2021.
- The fiscal deficit for the full year 2021 shrunk to -85bln SAR or -2.7% of GDP. It was primarily generated in the last quarter as spending considerably picked up in Q4. The deficit was primarily funded through borrowing with government debt increasing by an amount of 84bln SAR in 2021.
- CPI inflation moderately picked up to 1.2% in January. This still benign inflation picture can primarily be explained by the absence of any inflationary pressure on the two most important categories in the Saudi consumer basket: Food and housing.
- The Saudi equity market has started the year on a positive note. In January, TASI recorded a performance of 8.8% on a total return basis. In particular, foreign qualified investors turned out to be net buyers in the market.

Strong Rebound of Oil Production and Oil Sector GDP Growth in H2 2021

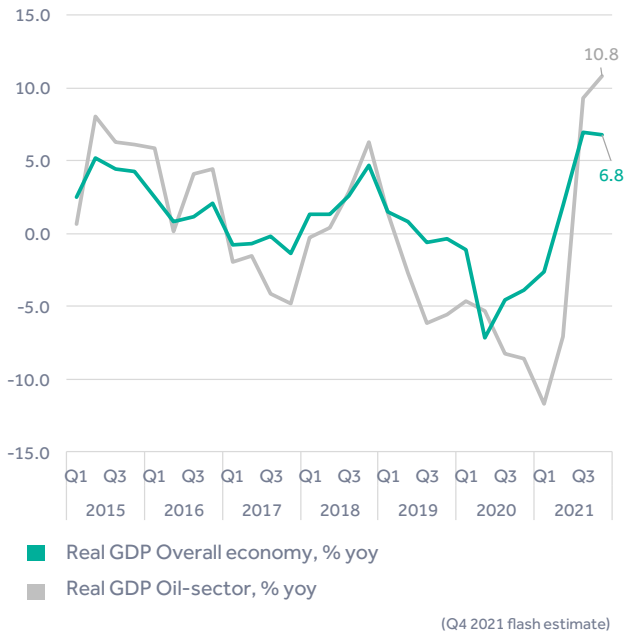


For more than two years in a row the oil sector GDP contribution has been negative, mainly due to crude oil output reductions. With oil production expanding again and expected to reach pre-crisis levels in 2022, the oil sector will turn out to be the major growth driver of the Saudi economy in the next 12 months.

source: GASTAT, JODI

Gross Domestic Product (GDP) Overall Economy and Institutional Sectors

Figure 1:
GDP YoY: Overall Economy and Oil Sector



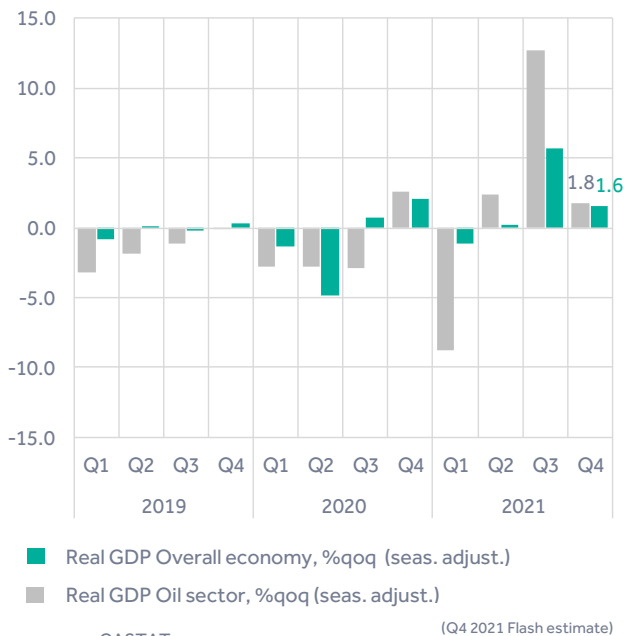
source: GASTAT

Figure 2:
GDP YoY: Non-Oil Private Sector and Government Services



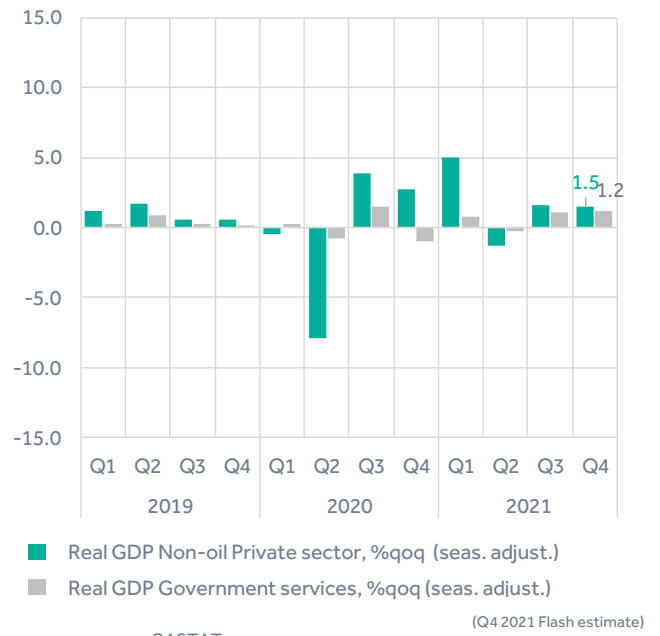
source: GASTAT

Figure 3:
GDP QoQ: Overall Economy and Oil Sector



source: GASTAT

Figure 4:
GDP QoQ: Non-Oil Private Sector and Government Services



source: GASTAT

Flash estimates for Q4 2021 indicate that the Saudi economy recorded a real growth of 6.8%yoy, slightly below the multi-year peak of 7.0% in Q3 2021. Oil sector growth further expanded to 10.8%yoy, a

growth rate not seen since Q1 2012, while non-oil private sector growth gradually slowed to a still robust 5.0%yoy. For the full year, this implies a growth rate of 3.3% for the overall economy in 2021.

Monetary Aggregates, Credit and Commercial Banks' Deposits

Figure 1:
Growth Rate Monetary Base and Money Supply M1

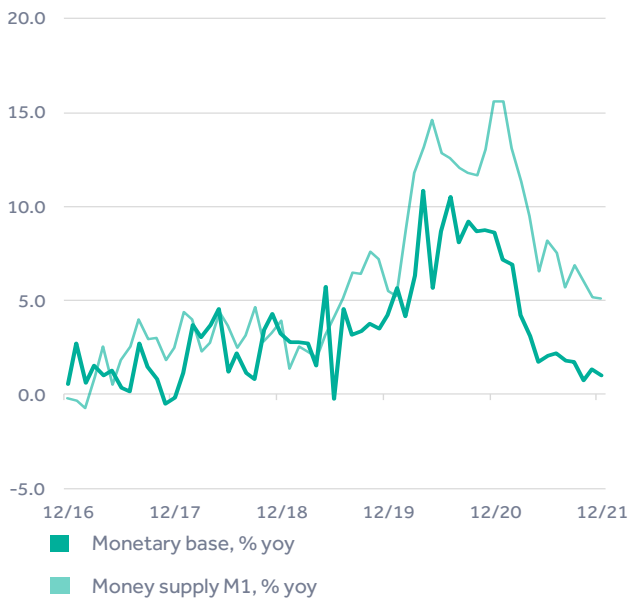


Figure 2:
Growth Rate Money Supply M2 and M3

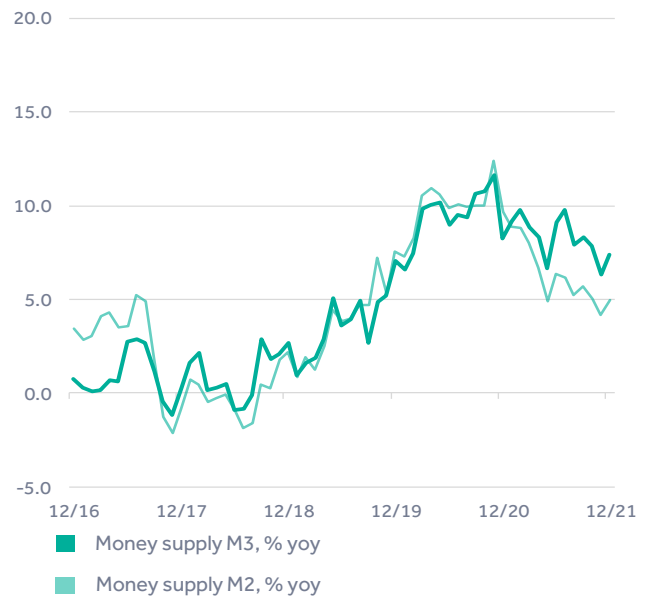


Figure 3:
Growth of Credit to the Private Sector

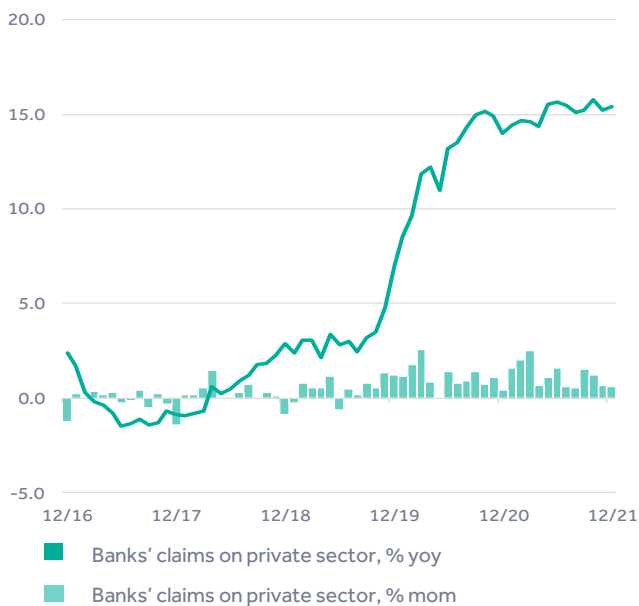
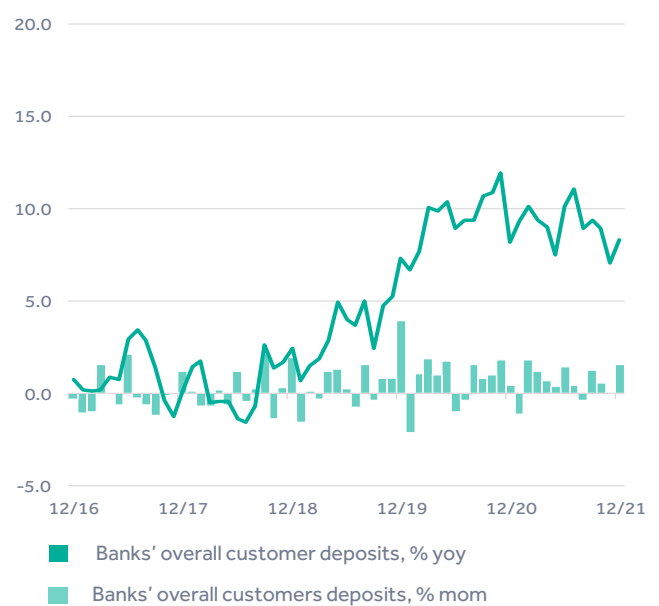


Figure 4:
Growth of Commercial Banks' Deposits



Money supply growth continued to slow in H2 2021 and stood in December at 4.9%yoy for M2 and at 7.4% yoy for M3. This can mainly be explained by a deceleration of customer deposit growth which fin-

ished the year at 8.3%. By contrast, credit to the private sector showed no signs of faltering and expanded by 15.4%yoy in December, mainly driven by still strong personal and residential mortgage loans.

Commercial Banks Key Ratios

Figure 1:
Private Sector Loan-Deposit-Ratio

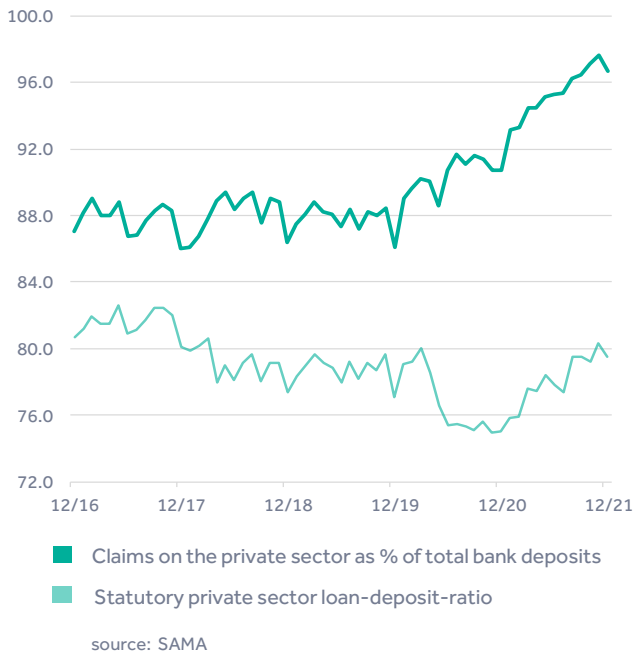


Figure 2:
Government Sector Loan-Deposit-Ratio

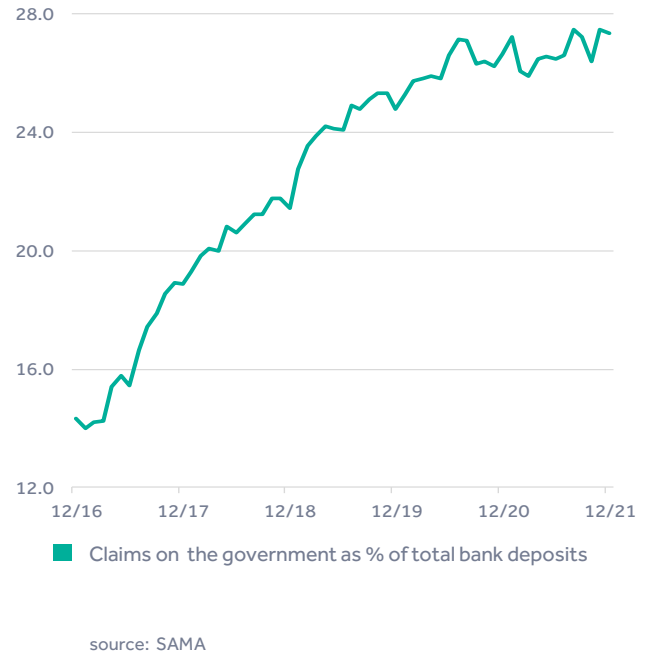


Figure 3:
Foreign Assets to Total Assets Ratio

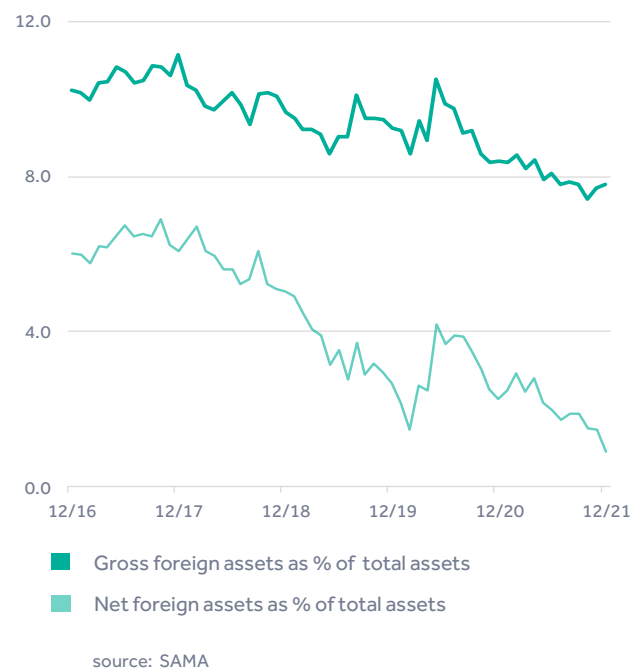


Figure 4:
Excess Liquidity to Total Assets Ratio



As a consequence of credit growth to the private sector still outpacing the rise in bank deposits, the private sector LDR continued to climb. Meanwhile, the LDR for government lending has been broadly

stable over the last 18 months. Overall, excess liquidity of the banking sector (as % of total assets) declined from a peak at 21.3% to a trough at 17.1% in November and a rate of 17.8% in December.

SAMA Balance Sheet and Government Deposits

Figure 1:
Foreign Currency Reserves at SAMA

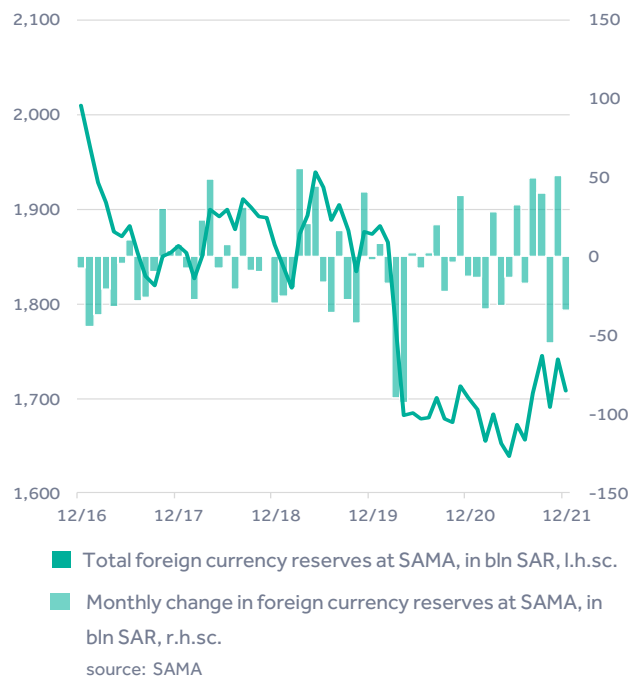


Figure 2:
Government Deposits at SAMA

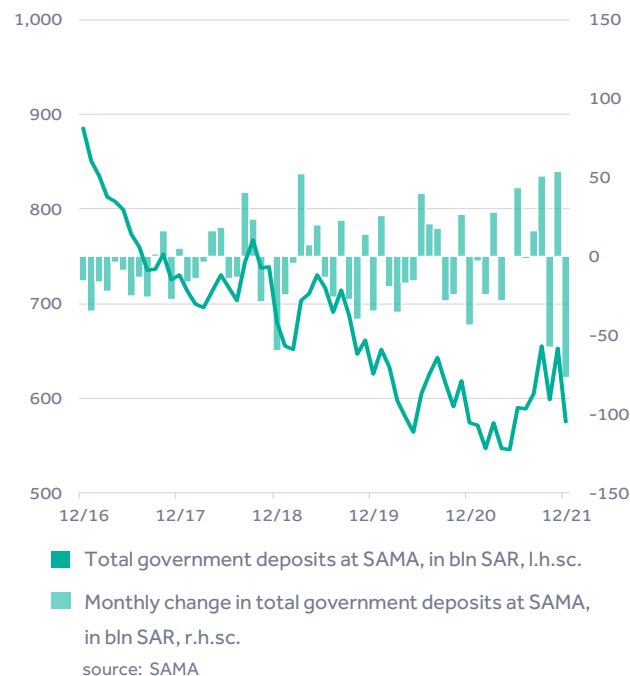


Figure 3:
Breakdown of Foreign Currency Reserves at SAMA

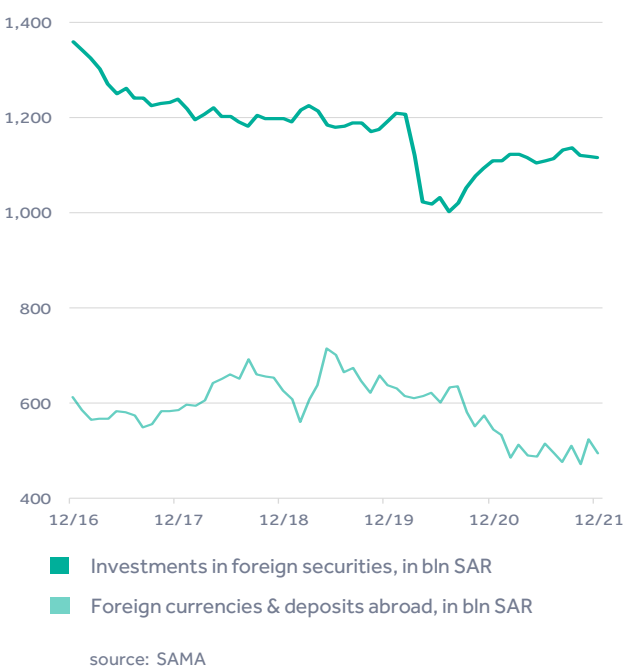
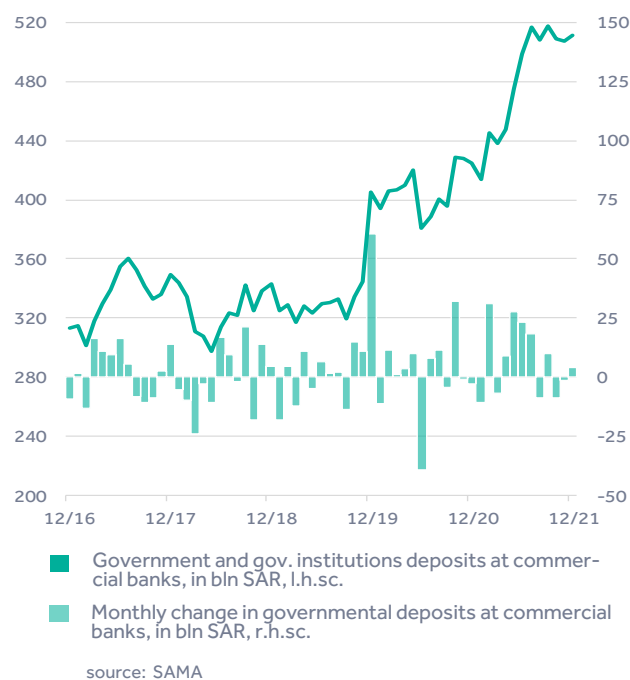


Figure 4:
Government Deposits at Commercial Banks

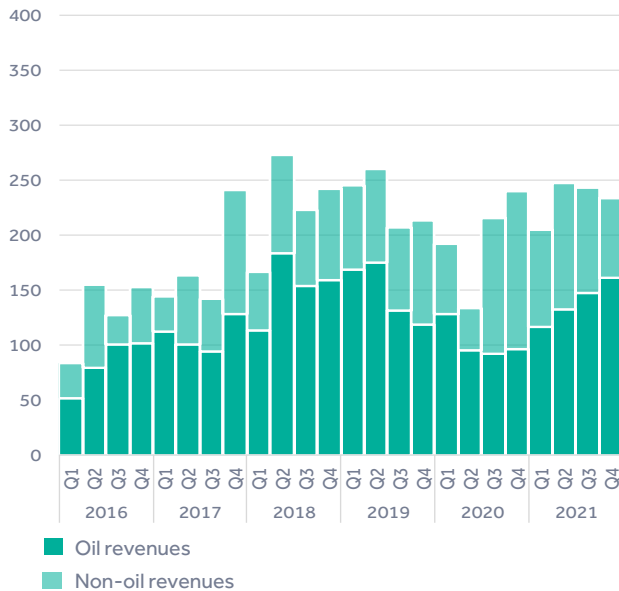


After an increase of SAMA official foreign reserves in Q3 2021, which was partly due to an allocation of Special Drawing Rights by the IMF, they broadly stabilized in Q4 2021. Government deposits at SAMA

dropped in Q4 by overall 80bln SAR. This amount corresponds to the fiscal deficit recorded in the last quarter 2021. Meanwhile, government deposits with commercial banks remained nearly stable in Q4.

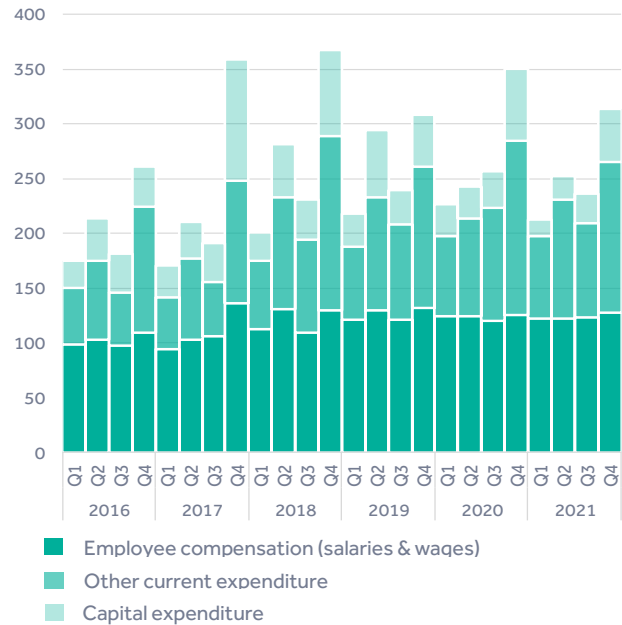
Quarterly Fiscal Balance and Outstanding Government Debt

Figure 1:
Quarterly Fiscal Revenues (in bln SAR)



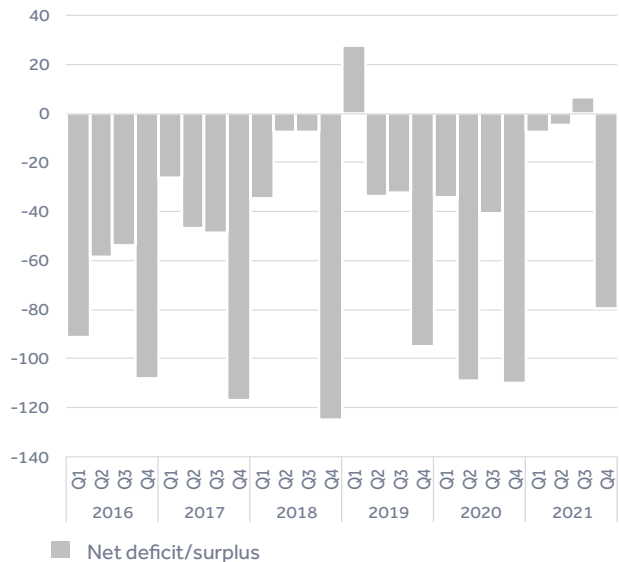
source: MoF

Figure 2:
Quarterly Fiscal Expenditure (in bln SAR)



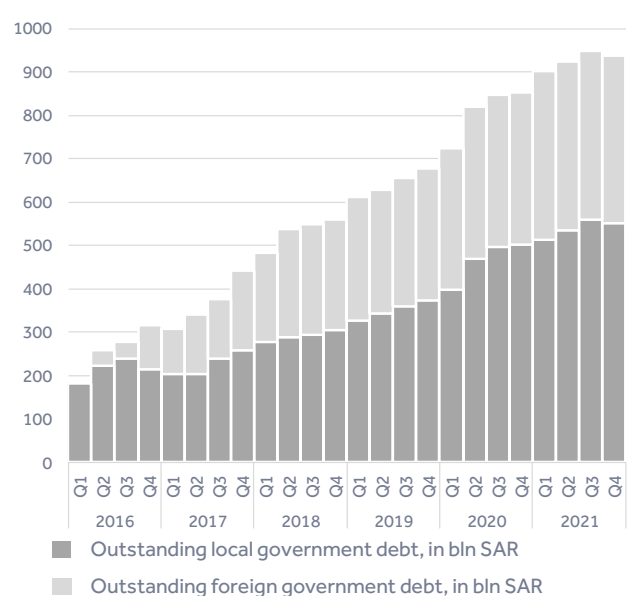
source: MoF

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



source: MoF

Figure 4:
Outstanding Government Debt (End of Quarter)



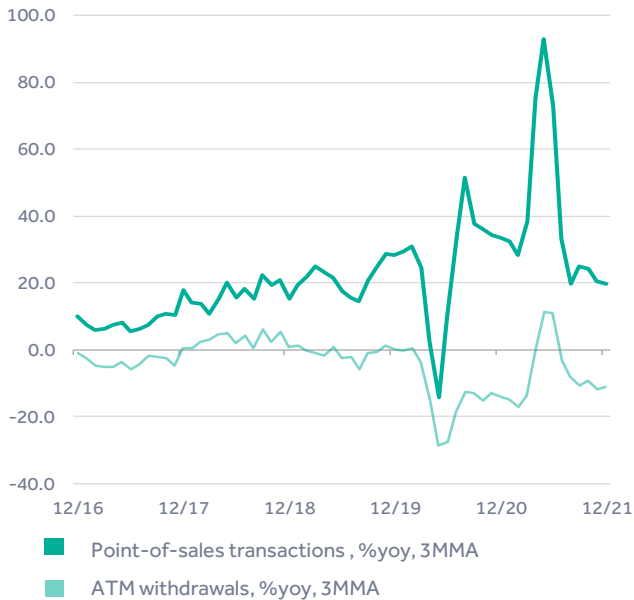
source: MoF

The government reported a fiscal deficit of 85bln SAR for fiscal year 2021. This deficit was almost entirely generated in the last quarter where the fiscal shortfall amounted to 80bln SAR. This was the result

of a considerable increase in spending in Q4, a seasonal pattern that we can already observe throughout all the last years. Meanwhile, outstanding debt increased in 2021 by 85bln SAR to 938bln SAR.

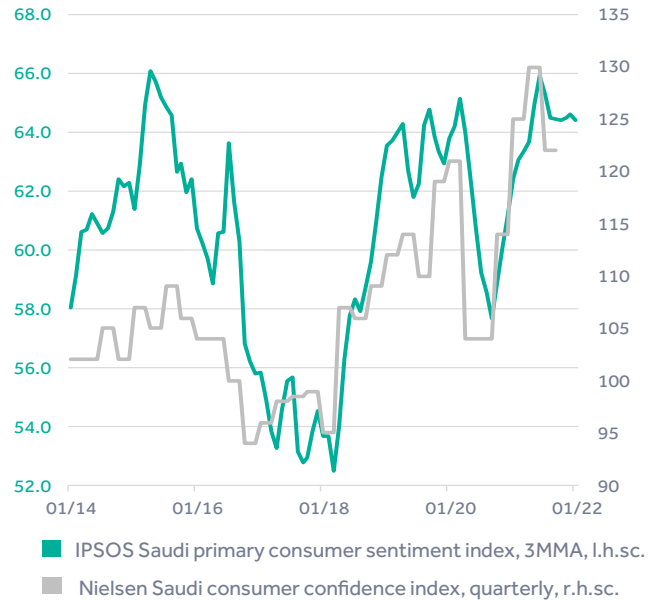
Indicators for Private Spending and Non-Oil Business Climate

Figure 1:
Private Spending Indicators



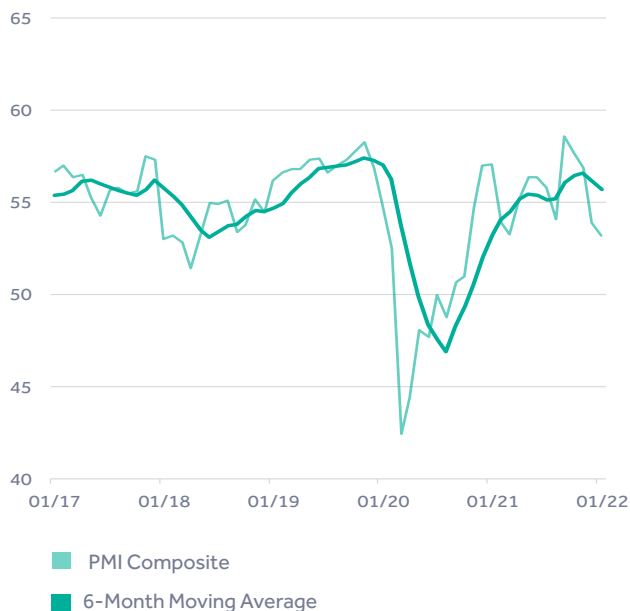
source: SAMA

Figure 2:
Consumer Sentiment Indicators



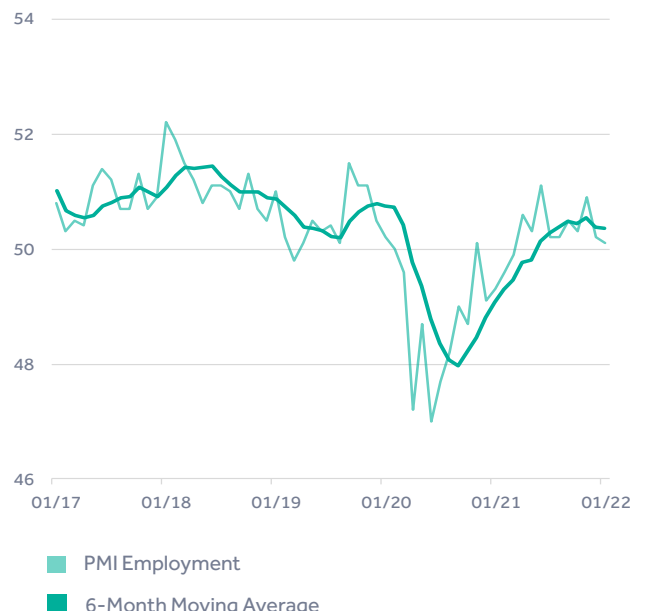
source: Refinitiv, Nielsen

Figure 3:
Purchasing Manager Index Composite



source: IHS Markit

Figure 4:
Purchasing Manager Index Employment



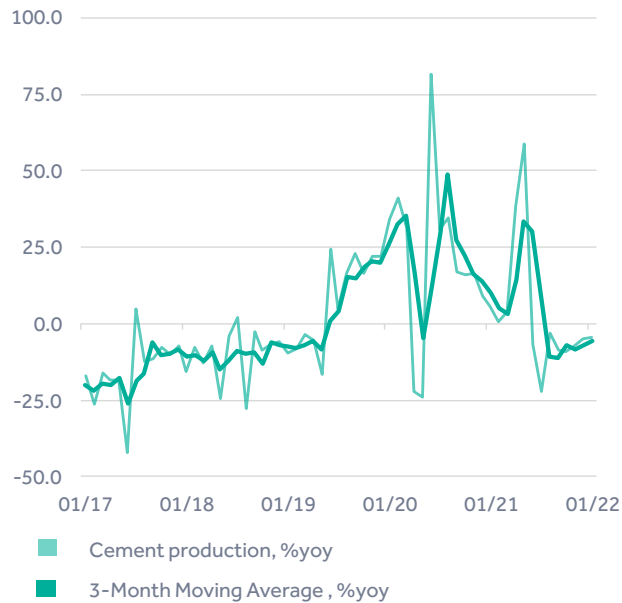
source: IHS Markit

Indicators of private consumption gradually decelerated in Q4 2021 while consumer confidence consolidated at still elevated levels towards the end of the year. On the corporate side, business climate of

the non-oil economy gradually slowed down most recently. The Purchasing Manager Composite index (PMI) dipped to 53.2 in January after having reached a multi-year high in September 2021 at 58.6.

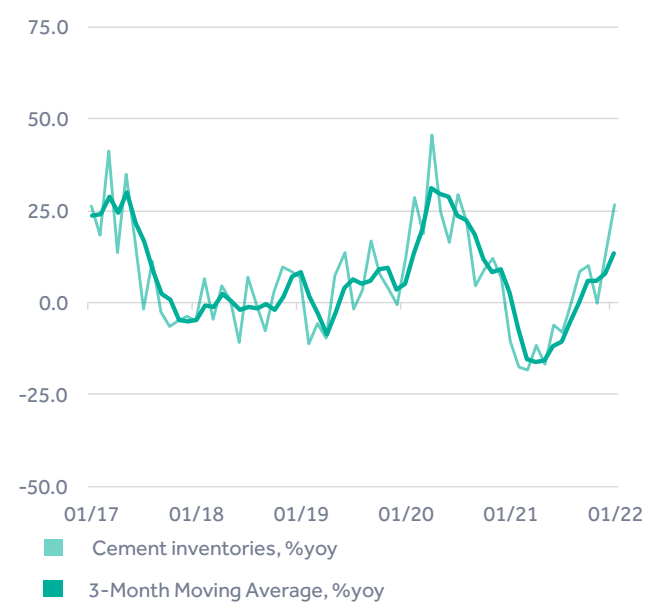
Cement Sector and Non-oil Exports and Imports

Figure 1:
Cement Production



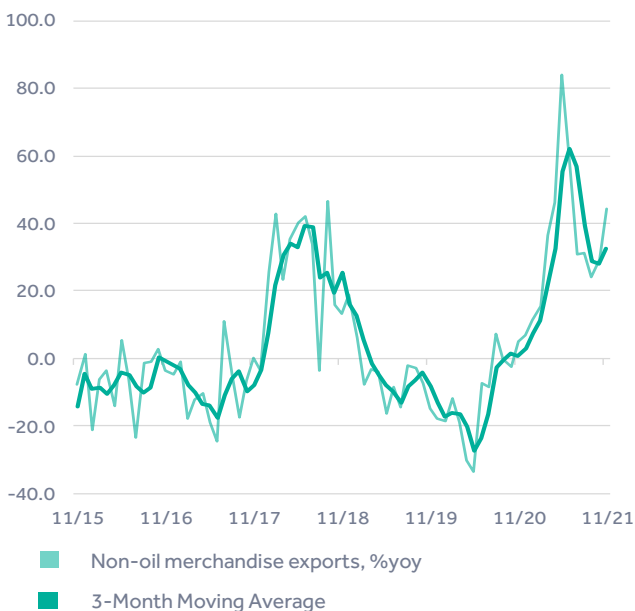
source: Yamama Cement

Figure 2:
Cement Inventories



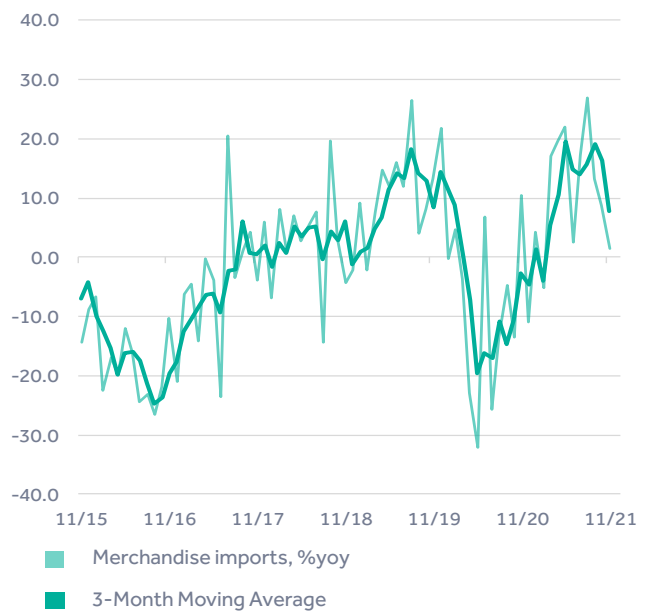
source: Yamama Cement

Figure 3:
Non-Oil Merchandise Exports



source: GASTAT

Figure 4:
Merchandise Imports



source: GASTAT

Cement production contracted in a yearly comparison since mid-2021, but started to rise again on a monthly basis in Q4 2021. Meanwhile, cement inventories built up by 26%yoy in December. Besides,

non-oil merchandise exports recovered in November to show a strong growth rate of 44%yoy. On the other hand, merchandise imports slowed to less than 2% yoy over the same period.

Consumer and Wholesale Price Inflation

Figure 1:
Consumer Price Inflation All Items



Figure 2:
Consumer Price and Wholesale Price Inflation

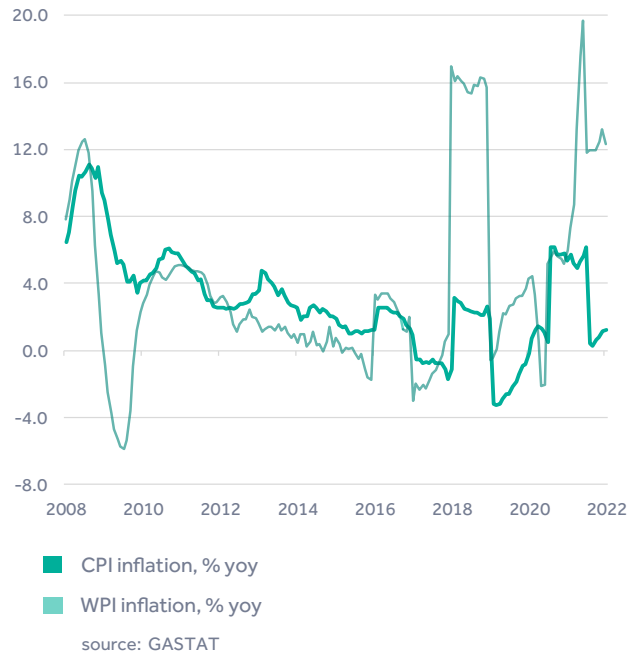


Figure 3:
CPI Inflation Food & Housing

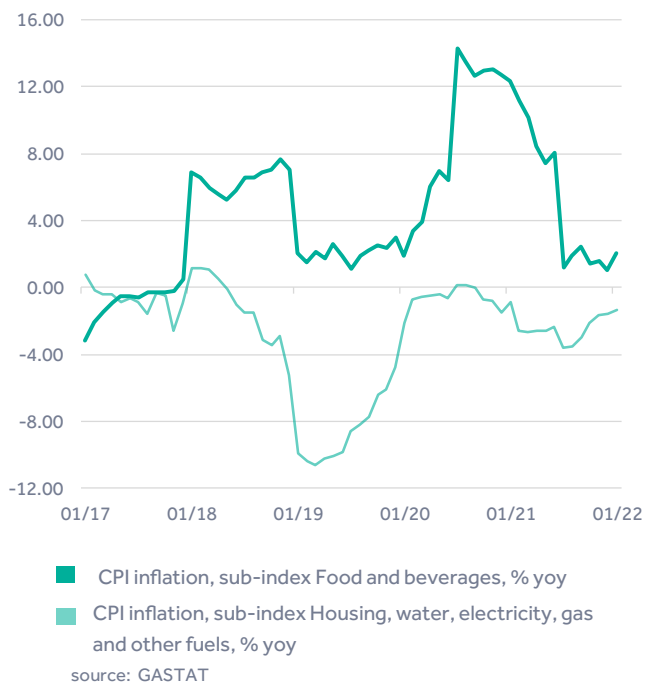
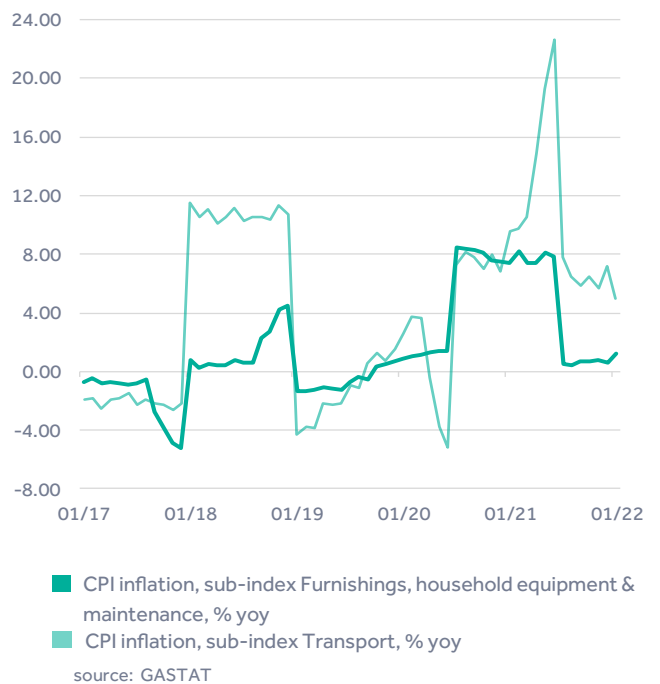


Figure 4:
CPI Inflation Furnishings & Transportation

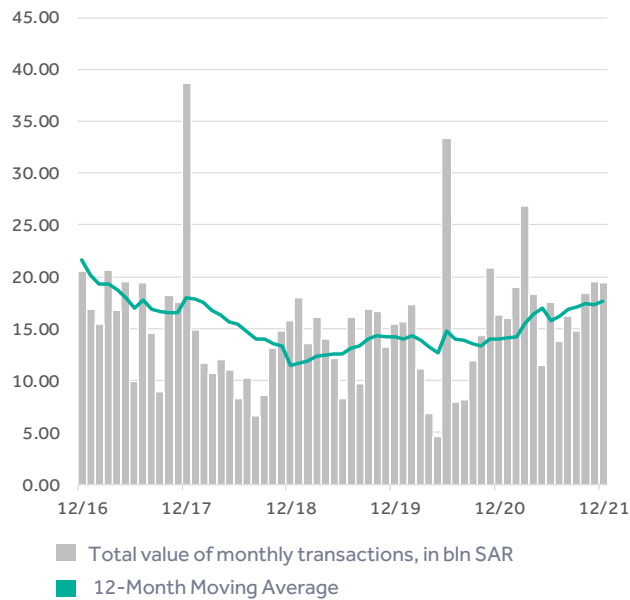


Saudi CPI inflation remains subdued despite a gradual increase to 1.2% in January after a temporary low in August 2021 of 0.3%. This benign inflation picture can primarily be explained by the absence of

any inflationary pressure on the two most important categories in the Saudi consumer basket: Food and housing. We expect CPI inflation to gradually pick up in 2022 with an average yearly rate of 1.9%.

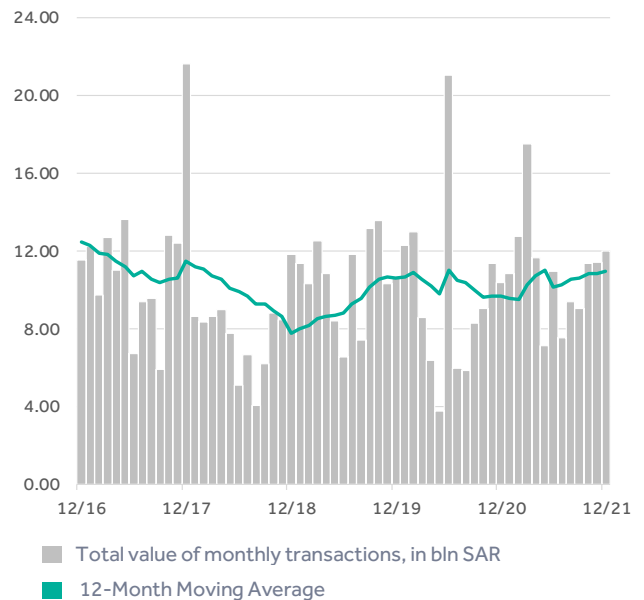
Real Estate Market: Transaction Activity

Figure 1:
Monthly Real Estate Transactions Overall Country



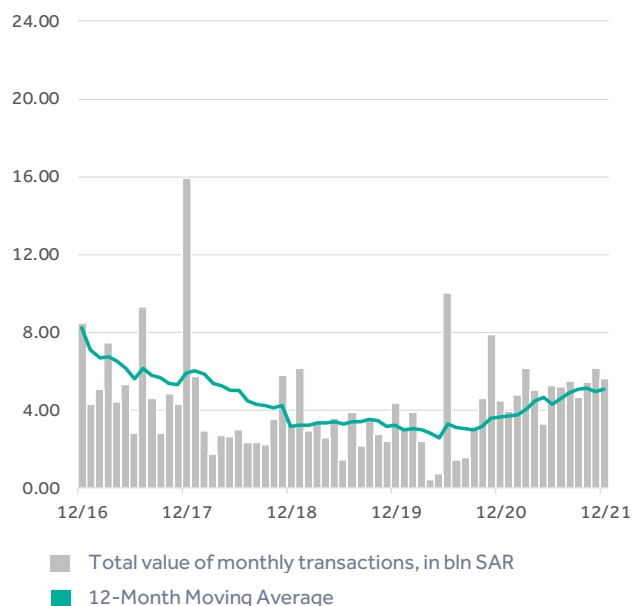
source: MOJ, RC

Figure 2:
Monthly Residential Real Estate Transactions



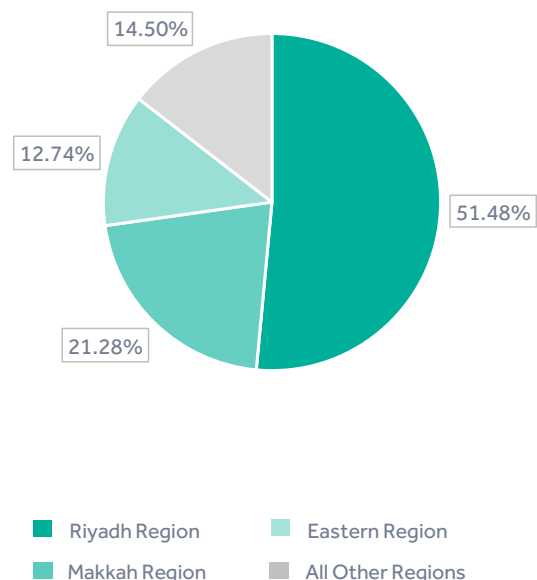
source: MOJ, RC

Figure 3:
Monthly Commercial Real Estate Transactions



source: MOJ, RC

Figure 4:
Breakdown of Transaction Value by Regions (Q4 2021)



source: MOJ, RC

In the last quarter of the year, we typically observe a seasonal pick up of real estate activity in Saudi Arabia. Q4 2021 was no exception with an overall transaction value of 36.5bln SAR. This also represents an

increase of 19% vs. the previous year. For the full year 2021, the transaction value amounted to 132bln SAR, an increase of 13.5% vs. the year 2020 and exceeding the pre-crisis year 2019 by 3.6%.

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

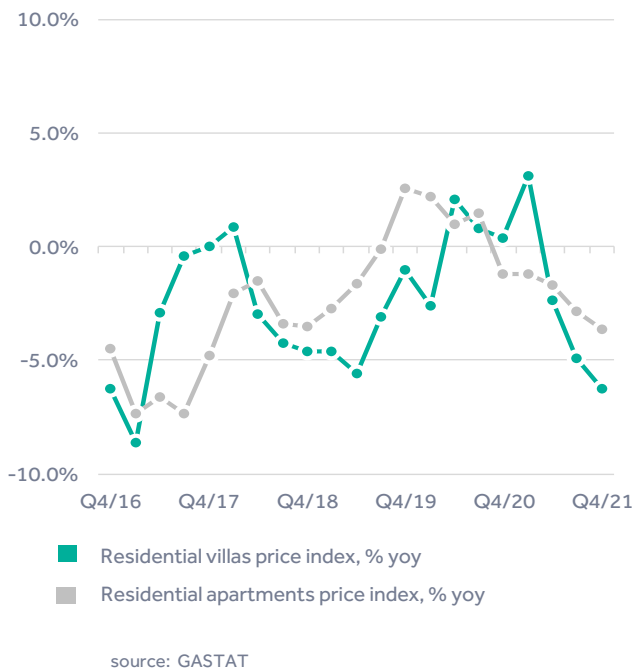


Figure 4:
Commercial Shops and Centers Price Indices

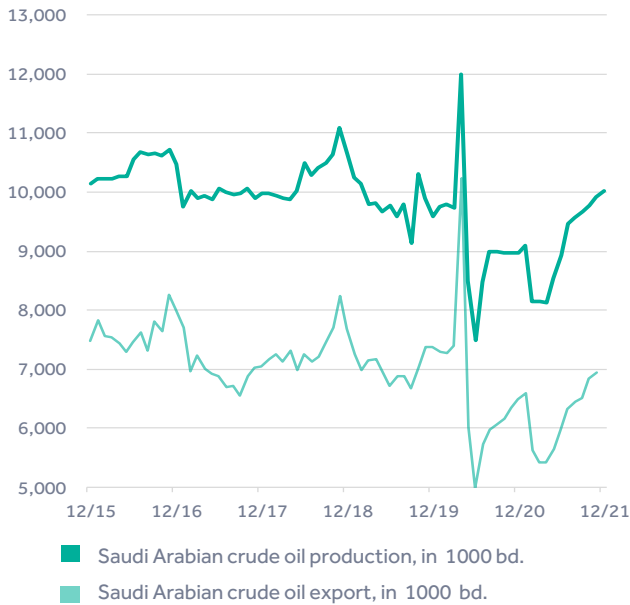


The last quarter 2021 saw a continued consolidation of real estate prices in the Kingdom. While residential prices marginally increase by 1.7%yoy, commercial prices slightly slid by -0.7%yoy. For the full year

2021, residential prices increased by 1.0%, while the commercial segment recorded a small contraction by -0.5%. Given their importance in the RE indices, this primarily reflects the trend of land prices.

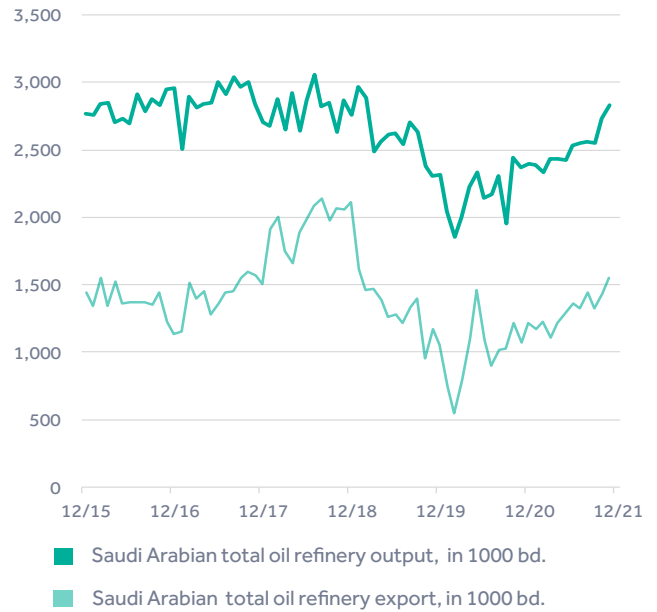
Oil Market Statistics: Production, Exports, Refinery and Prices

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

Saudi Arabia continued to expand its crude production which reached 10.0 mbd in December after a low in April of 8.1 mbd. OPEC crude output climbed from 25.2 mbd in April to 28.1 mbd in December

(secondary sources). For the full year 2021, Saudi Arabia marginally reduced its output by about 0.1 mbd versus the previous year, while OPEC expanded its production by about 0.7 mbd versus 2020.

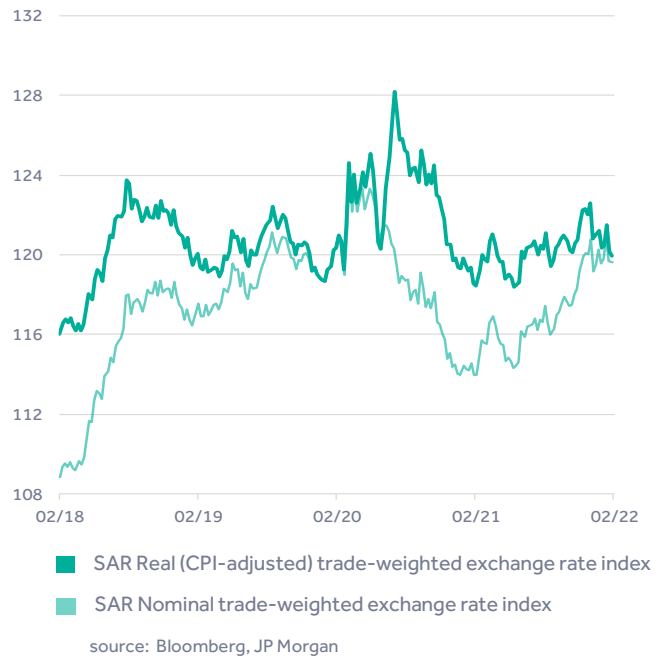
Foreign Exchange and KSA Credit Spread

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



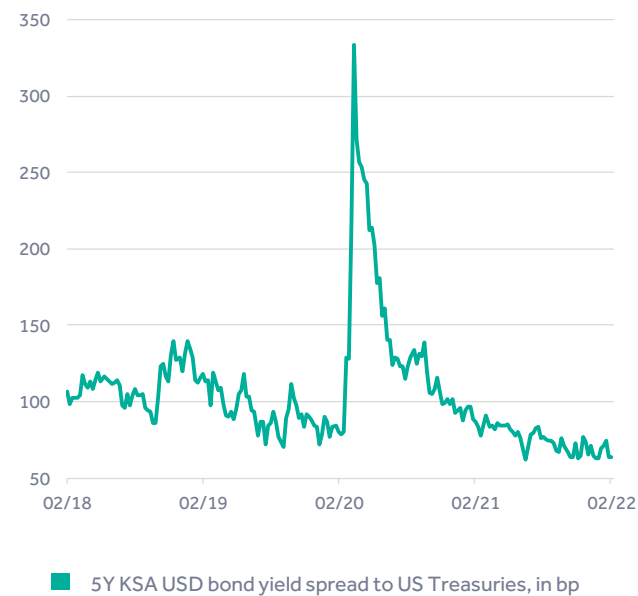
source: Bloomberg

Figure 2:
SAR Nominal and Real Effective Exchange Rate



source: Bloomberg, JP Morgan

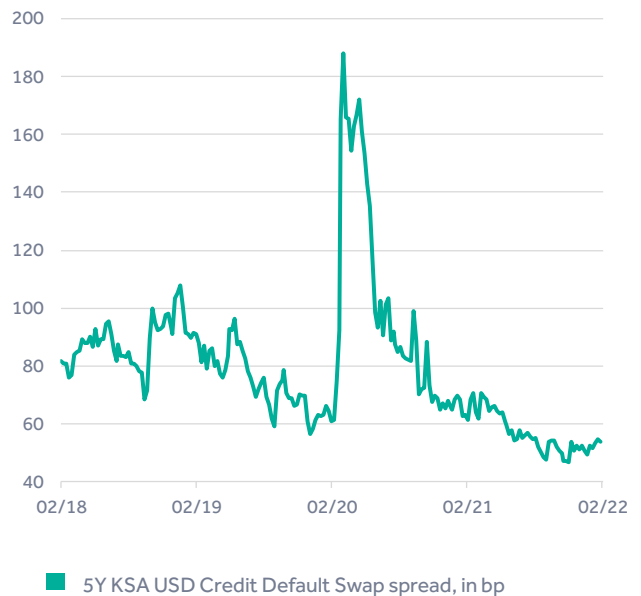
Figure 3:
KSA USD Bond Yield Spread to US Treasuries



source: Bloomberg

Over the last 12 months, the nominal exchange rate index rose by 4.9%, while the real index only advanced by 1.3%. This illustrates that the nominal appreciation mainly reflected the inflation differen-

Figure 4:
KSA CDS Spread



source: Bloomberg,

tial. Meanwhile, indicators of sovereign risk show that the recent uncertainties in global financial markets didn't translate into higher risk premia for the Kingdom, mainly due to its solid macro backdrop.

Short-term, Long-term and Official Interest Rates

Figure 1:
3-Months SAIBOR vs. USD LIBOR

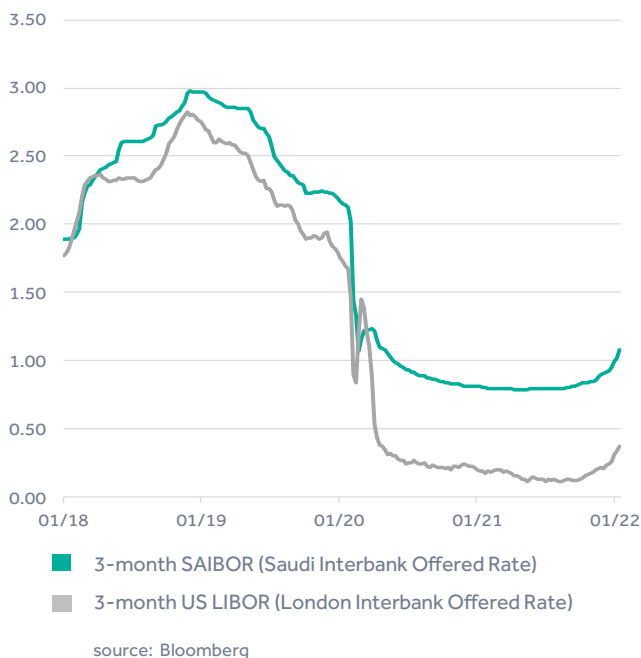


Figure 2:
5-Year Swap Rate SAR vs. USD

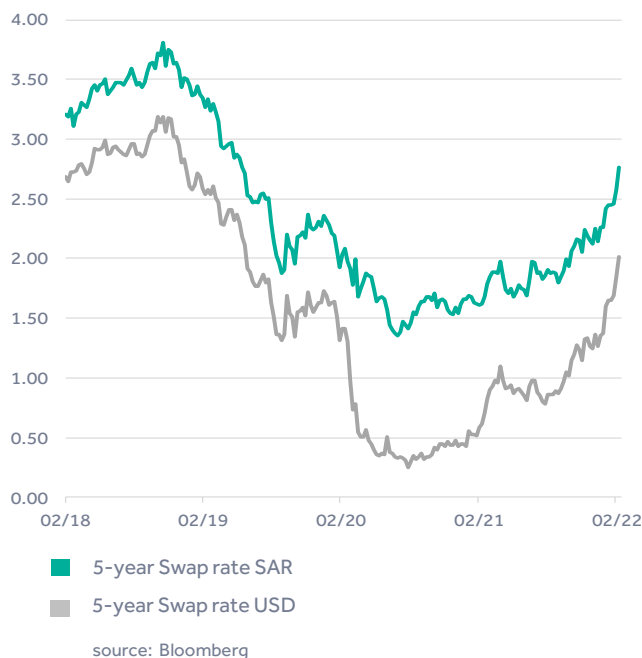


Figure 3:
5-Year KSA SAR Sukuk vs. USD Bond Yield

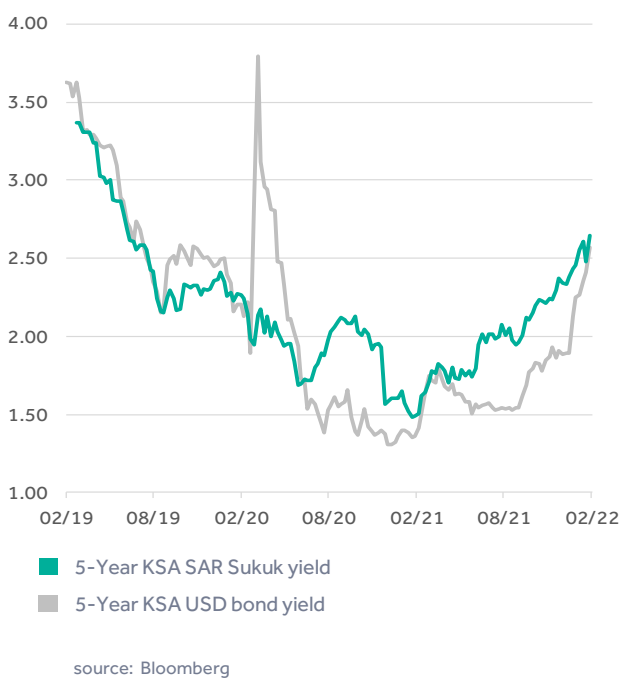


Figure 4:
Central Bank Rate and 3-Months SAIBOR

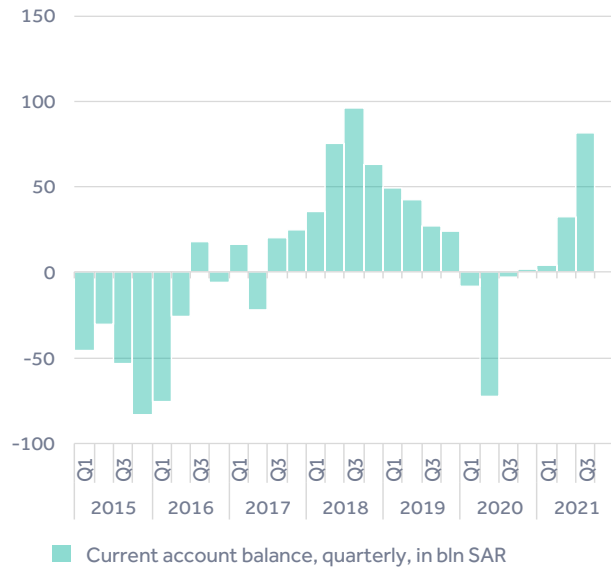


The anticipation of a tighter monetary policy by the US Federal Reserve has impacted the entire yield curve. Over the last 3 months, 3M SAIBOR rose by more than 20bp to 1.08%, while the SAR 5Y Swap

rate jumped by 70bp to 2.76%. The yield on 5Y USD KSA Sukuk climbed by more than 70bp over this period. With this strong move, it almost entirely closed the gap to the local SAR Sukuk sovereign yield.

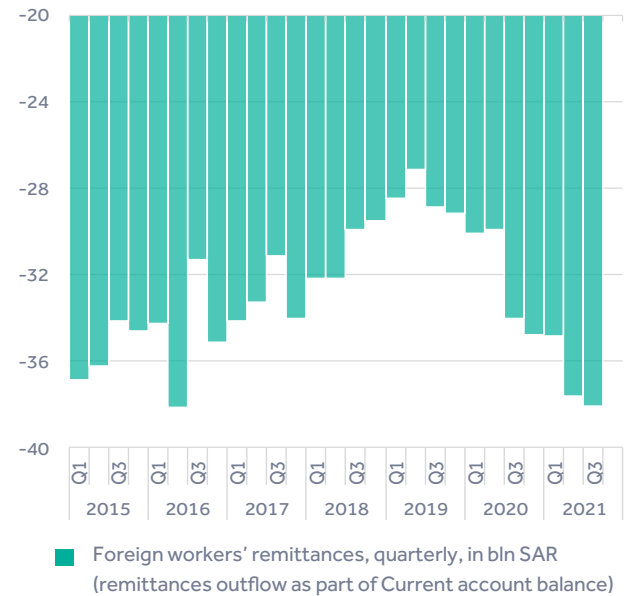
Saudi Balance of Payments

Figure 1:
Current Account Balance



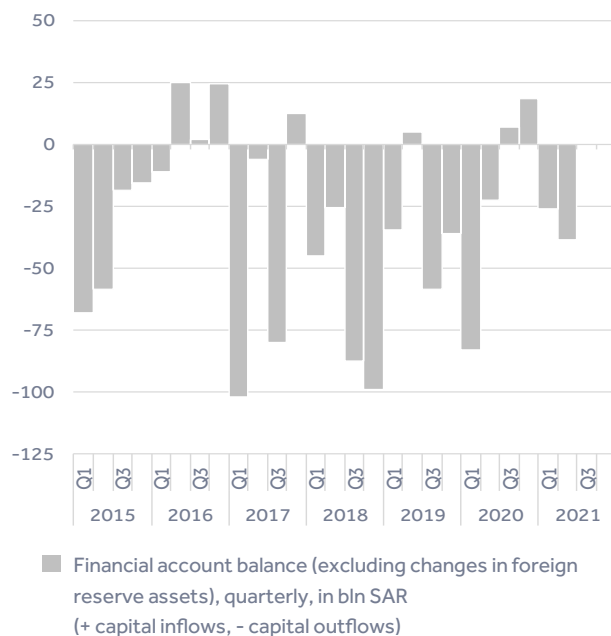
source: SAMA

Figure 2:
Foreign Workers' Remittances



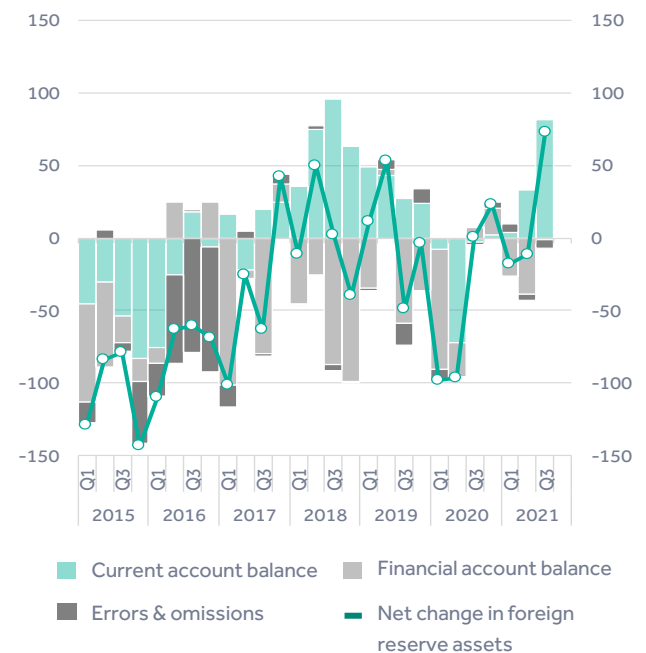
source: SAMA

Figure 3:
Financial Account Balance



source: SAMA

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



source: SAMA

Higher oil prices and increased oil exports resulted in a substantially improved current account balance of 81 bln SAR in Q3 2021 after a surplus of 33 bln SAR in the previous quarter. As the financial account

balance showed an unusually low marginal deficit of -1bln SAR in Q3, the current account surplus translated into a corresponding increase of official foreign currency reserves in the same quarter.

Tadawul: Saudi Equity Market Statistics

Figure 1:
Tadawul All-Share Index



Figure 2:
Tadawul Average Daily Traded Value

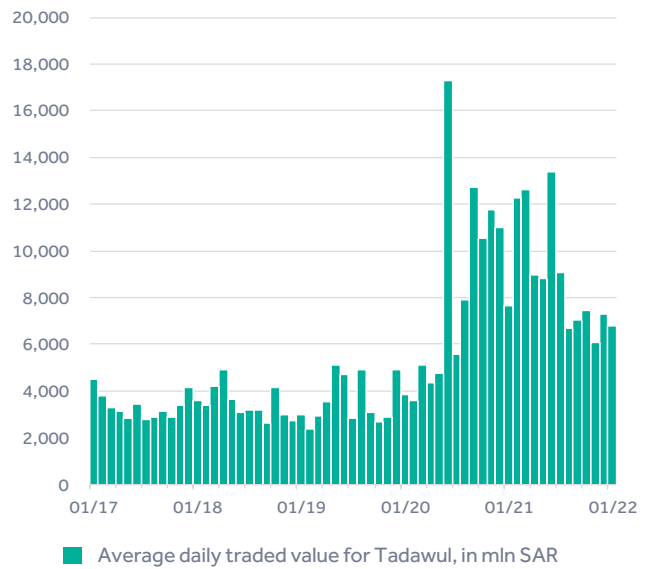


Figure 3:
Monthly Net Purchase by Ownership (in bln SAR)

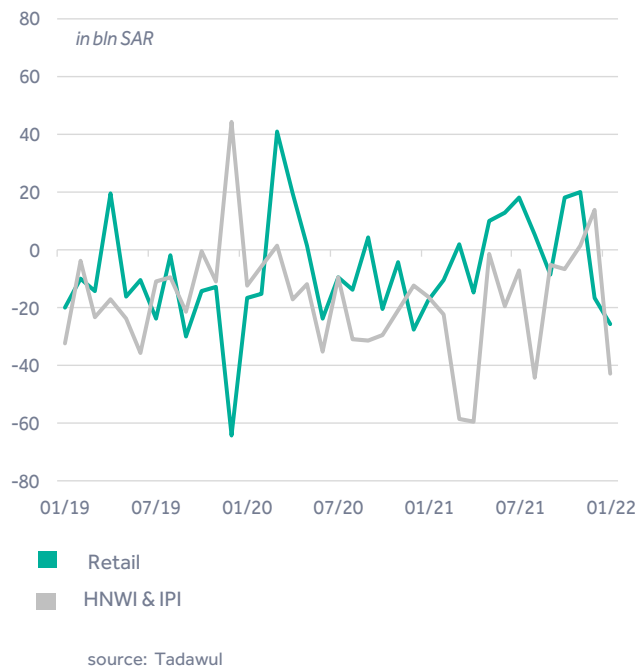
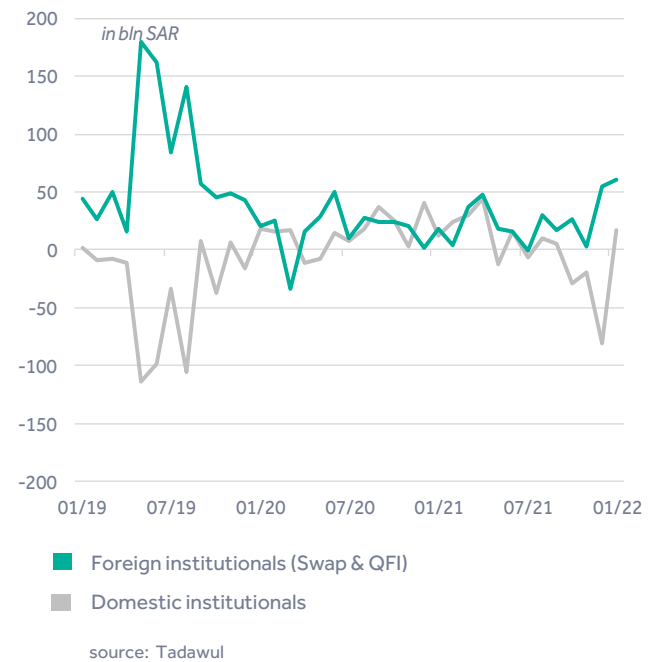


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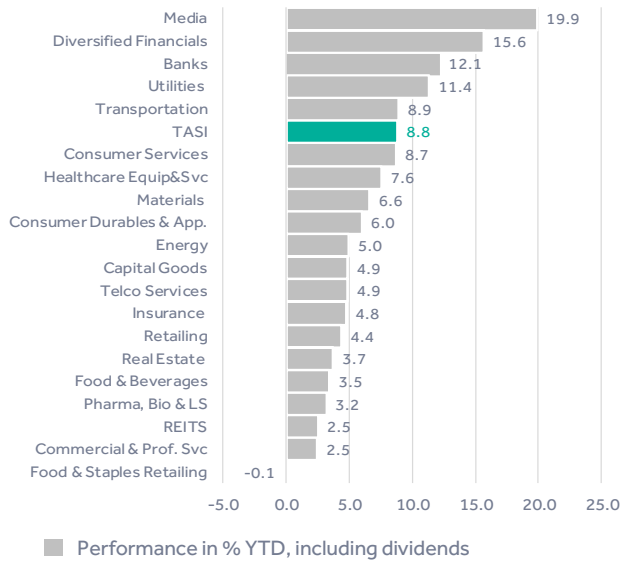


The Saudi equity market started the year on a positive note climbing to a level of 12'000 for TASI in the first few weeks of the year. This most recent market strength has primarily been driven by foreign

investors as net buyers in the market. Average daily traded values stabilized around 6.0 bln SAR in the last 6 months after having reached substantially higher levels in the previous 12 months.

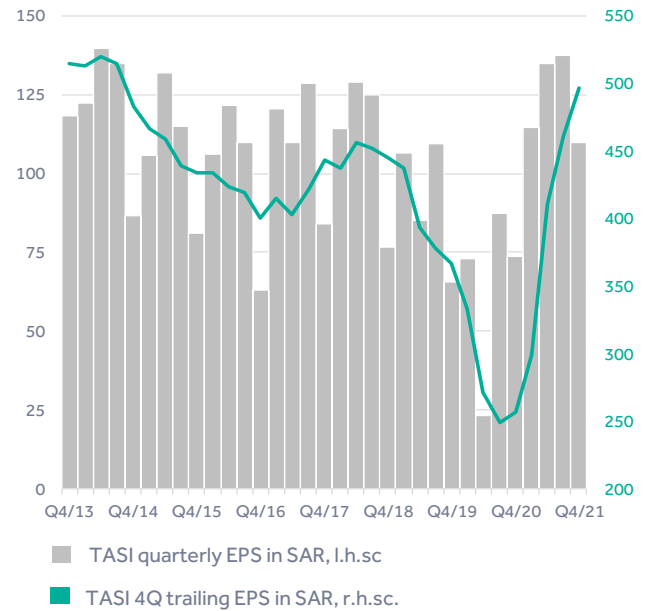
Tadawul: Saudi Equity Market Statistics

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

The month of January already showed some substantial performance differences across sectors. Amongst the largest sectors, banks outperformed the index by a notable margin, while materials and

energy ended the months below the market average. Besides, the strong earnings recovery in 2021 which is expected to continue in 2022 has resulted in a considerable normalization of valuation metrics.

Saudi Economic Outlook

In the year 2022, the Saudi economy will be largely driven by a strong rebound of the oil sector. After negative growth contributions in 2019 and 2020 and only a marginal positive growth rate last year, the oil sector economy is expected to expand by 12.1% in 2022 — a growth rate last seen in 2011.

This scenario is based on the assumption that Saudi Arabia will expand its oil production to pre-COVID-crisis levels in the course of this year. For the full year 2022, we forecast crude oil output to average at 10.3 mbd after 9.1 mbd in 2021.

After the strong recovery of the private non-oil sector economy in 2021, we expect a gradual normalization this year with a still solid growth rate of 4.1% versus 6.1% last year.

For the overall economy, these projections translate into a growth rate of 6.8% for 2022 after 3.3% in the previous year. We, therefore, forecast the Saudi economy to reach a growth level in 2022 not seen since 2011.

We expect global oil markets to broadly balance in 2022 after a substantial supply shortage in 2021. For

oil prices we forecast a full year average of 80 USD for Brent and 78 USD for WTI.

Higher oil prices and higher oil production will positively affect the fiscal balance. Substantially higher oil revenues will result in a fiscal budget surplus of about 2.5% of GDP in 2022— the first surplus since 2013.

Distinctly higher oil export revenues will also lead to a substantial surplus in the current account balance. For 2022, we forecast this surplus to be in the order of 7.5% of GDP.

CPI inflation has gradually picked up to 1.2% in January after a low of 0.3% in August 2021. In the medium term, we project a further moderate acceleration and expect inflation to average at 1.9% in 2022.

The US Federal Reserve is expected to tighten monetary policy in the course of 2022. Against this background, we expect SAMA to increase its official interest rates by 100 bp in the next 12 months.

As a consequence, we forecast the Reverse Repo Rate to be lifted to 1.50% and the Official Repo Rate to 2.0% by end of the year. 3M SAIBOR is projected to rise to 1.95% over this period.

Facts and Forecasts at a Glance

	2019	2020	2021	2022f
Real GDP Growth				
Overall economy	0.3	-4.1	3.3	6.8
Non-oil Private sector	3.8	-3.1	6.1	4.1
Government sector	2.2	-0.5	1.5	1.1
Oil sector	-3.6	-6.7	0.2	12.1
Fiscal Balance and Government Debt				
Fiscal Balance in bln SAR	-133	-294	-85	90
Fiscal Balance in % GDP	-4.5	-11.2	-2.7	2.5
Government debt in bln SAR	678	854	938	938
Government debt as % GDP	22.8	34.3	29.2	25.9
Trade and Current Account Balance				
Trade Balance in bln SAR	455	180	459	605
Trade Balance in % GDP	15.3	6.9	14.3	16.7
Current Account in bln SAR	143	-74	158	272
Current Account in % GDP	4.8	-2.8	4.9	7.5

source: GASTAT, SAMA, RC

	2019	2020	2021	2022f
Oil Prices and Production (yearly average)				
Brent price (USD pb)	64.1	43.3	70.9	80.0
WTI price (USD pb)	57.0	39.4	68.0	78.0
OPEC Basket price (USD pb)	64.0	41.7	69.8	79.0
KSA oil production (mln bd)	9.8	9.2	9.1	10.3
Inflation and Interest Rates (year end)				
CPI Inflation (yearly average)	-2.09	3.44	3.06	1.90
3M SAIBOR SAR	2.23	0.82	0.91	1.95
Reverse Repo Rate	1.75	0.50	0.50	1.50
Official Repo Rate	2.25	1.00	1.00	2.00
Labor Market (yearly average)				
Unemployment rate total in %	5.6	7.7	6.4	5.6
Unemployment rate Saudi in %	12.2	13.7	11.3	10.8
Labor force part. total in %	57.9	59.5	61.1	61.9
Labor force part. Saudi in %	44.9	48.8	49.5	51.3

source: GASTAT, SAMA, Bloomberg, RC

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