



# Saudi Economic Chartbook

Fourth Quarter 2020

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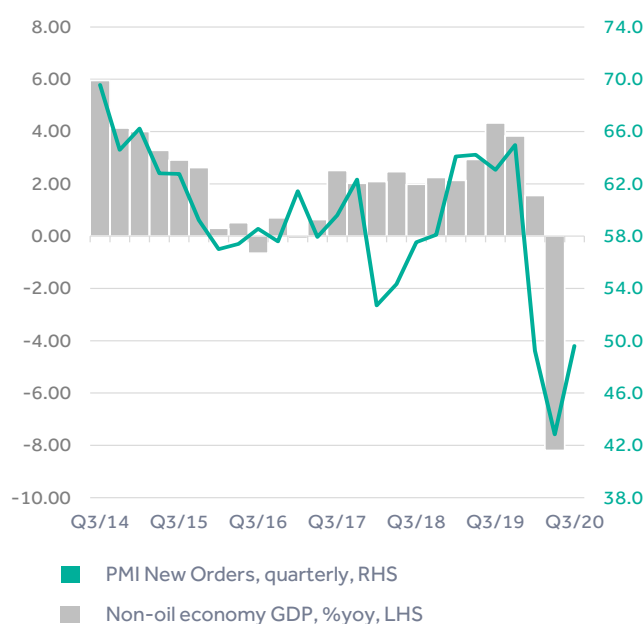
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### Non-Oil Economy in Recovery Mode

- The Saudi economy contracted during the second quarter as a result of the global pandemic outbreak. However, flash estimates of GDP for the third quarter already indicate a recovery with quarter-over-quarter growth turning positive.
- This improvement is primarily due to a rebound of the non-oil economy which is confirmed by various macro indicators such as the Purchasing Manager Indices as a key gauge for the Saudi non-oil business climate (see chart below).
- Growth of credit to the private sector further accelerated in Q3 2020, primarily driven by strong residential mortgage loan demand and an increased reliance on credit by corporates due to the pandemic impact on their balance sheet.
- Official foreign currency reserves at SAMA stabilized in the last 6 months after a notable reduction in Spring due to an extraordinary asset transfer from SAMA to PIF.
- During Q3 2020, the Saudi crude oil production recovered from a multi-year low in July. However, a further output expansion, originally scheduled by OPEC+ for January 2021, may be delayed on the back of the renewed global COVID-19 outbreak.
- The Saudi equity market witnessed a strong rebound in the course of H2 2020. This rally was accompanied by increased trading volumes, with daily traded value numbers reaching multi-year highs in the most recent months.

#### Business Climate Indicators Signaling Recovery



The pandemic outbreak and the subsequent lockdown during the second quarter 2020 caused a considerable contraction of Non-oil GDP growth. However, Purchasing Manager Indices as the main business climate indicators are signaling an economic recovery in the second half 2020.

source: GASTAT, IHS Markit

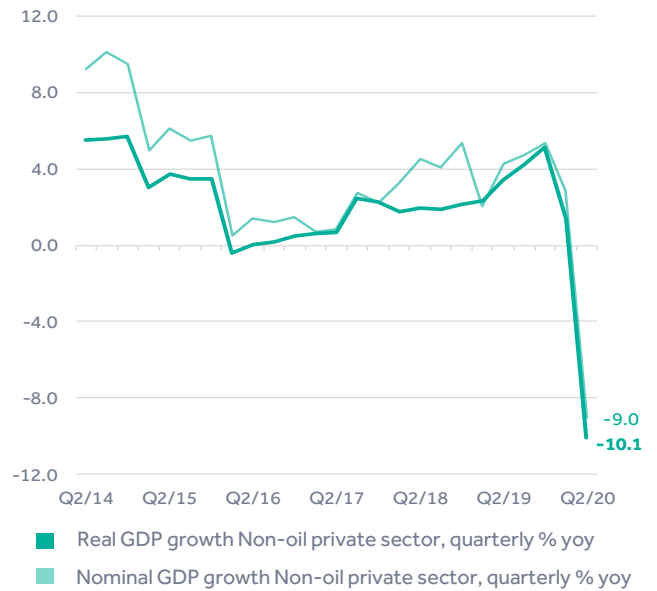
## Gross Domestic Product (GDP) Overall Economy and Institutional Sectors

**Figure 1:**  
Real GDP Overall Economy and Oil Sector



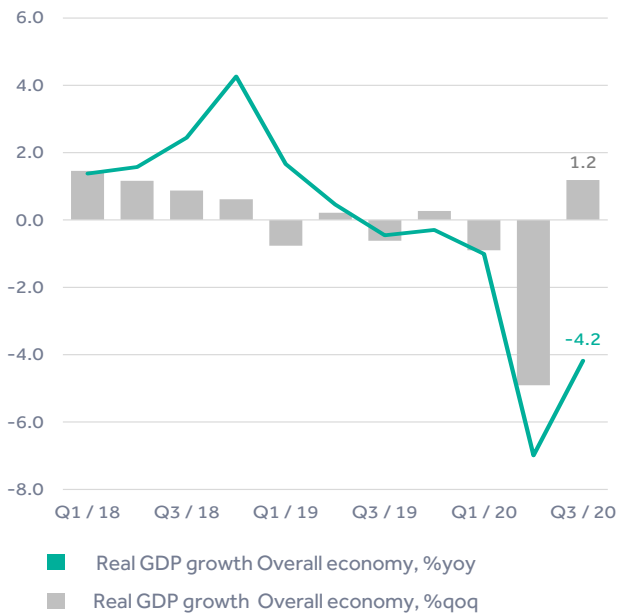
source: GASTAT

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



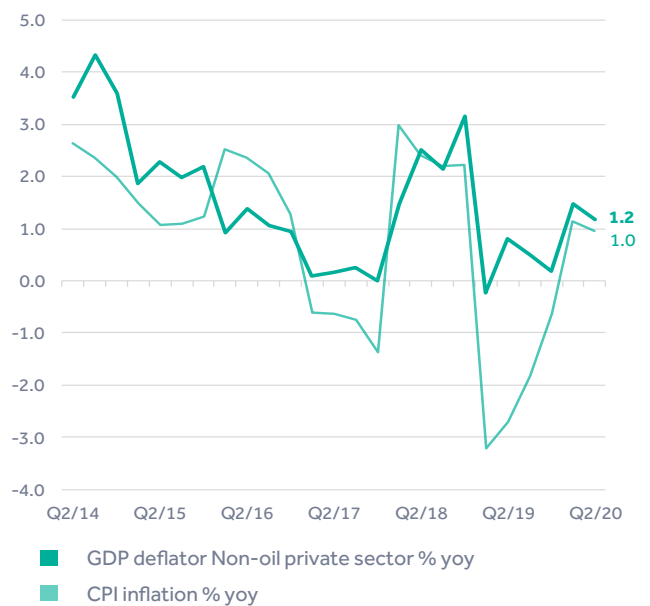
source: GASTAT

**Figure 3:**  
GDP Overall Economy Flash Estimate Q3 2020



source: GASTAT

**Figure 4:**  
GDP Deflator and CPI Inflation



source: GASTAT

Against the backdrop of the global COVID-19 recession, the Saudi economy contracted in Q2 2020 by  $-7.0\%$ yoy. The slowdown was more pronounced for the non-oil private sector economy

with  $-10.1\%$ yoy, while the oil sector economy declined by  $-5.3\%$ yoy. Most recent flash estimates of GDP for Q3 ( $+1.2\%$ qoq) indicate that the Saudi economy is already on a recovery path in H2 2020.

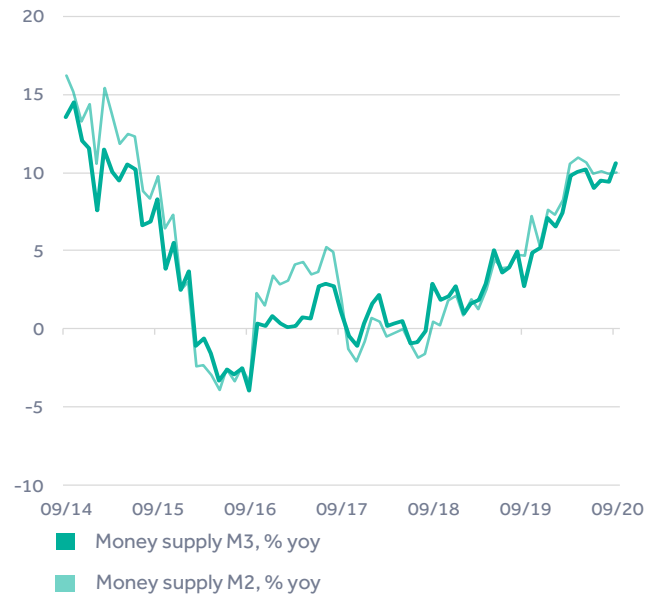
## Monetary Aggregates, Credit and Commercial Banks' Deposits

**Figure 1:**  
Growth Rate Monetary Base and Money Supply M1



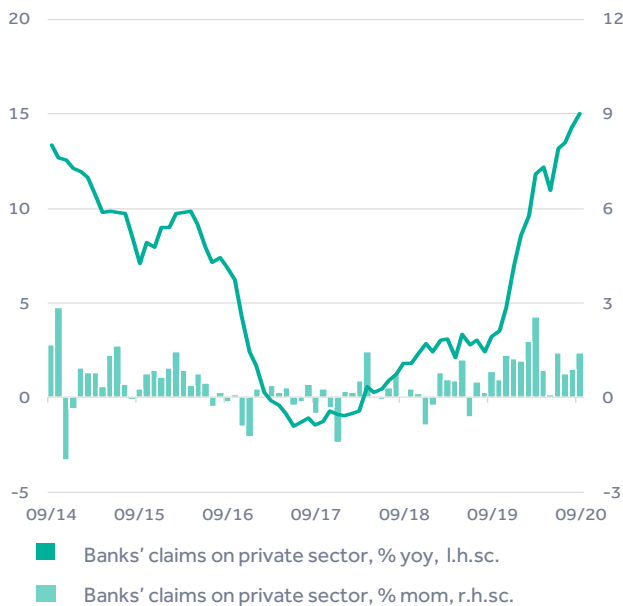
source: SAMA

**Figure 2:**  
Growth Rate Money Supply M2 and M3



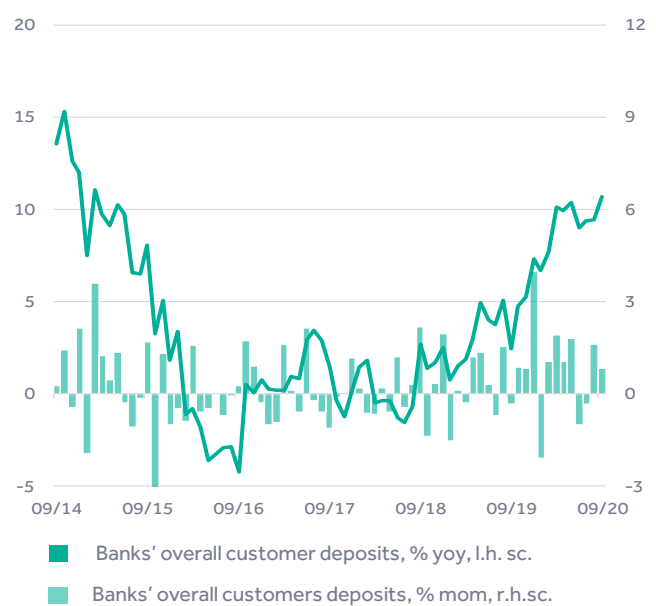
source: SAMA

**Figure 3:**  
Growth of Credit to the Private Sector



source: SAMA

**Figure 4:**  
Growth of Commercial Banks' Deposits



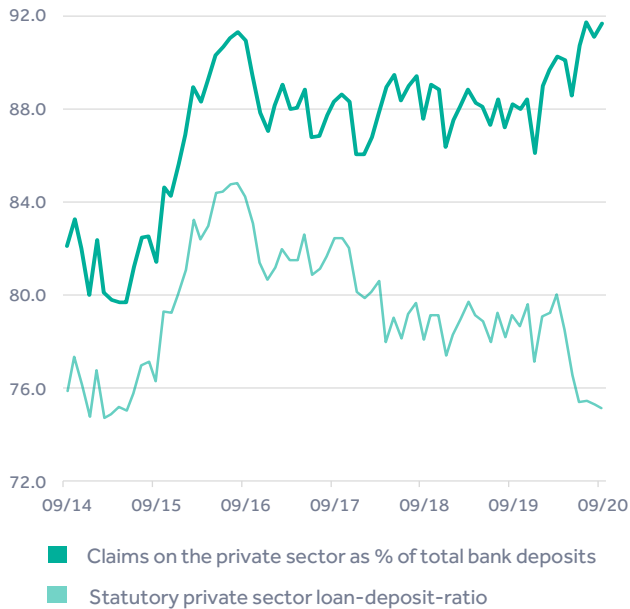
source: SAMA

Liquidity is still ample in the Saudi economy with the monetary base growing by 9.2%yoy and money supply M3 expanding by 10.6% in September 2020. Growth of credit to the private sector continued to

accelerate, reaching 15.0%yoy in September. The main drivers behind this growth are the continued strong demand for residential mortgage loans and an increased credit reliance by corporates in 2020.

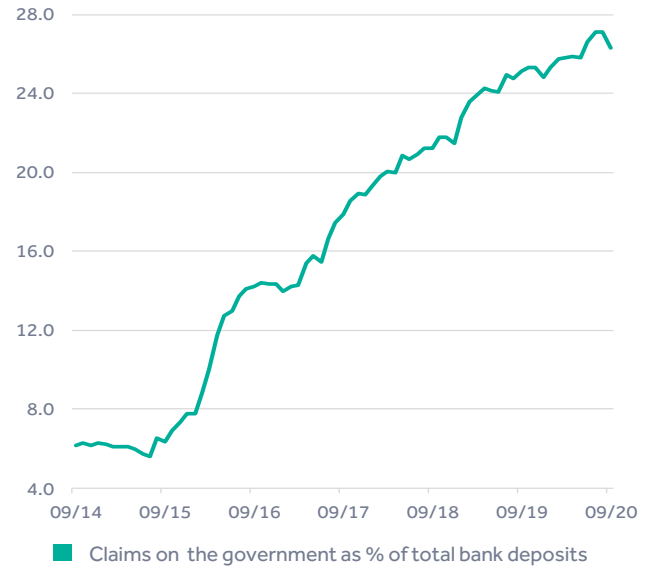
## Commercial Banks Key Ratios

**Figure 1:**  
Private Sector Loan-Deposit-Ratio



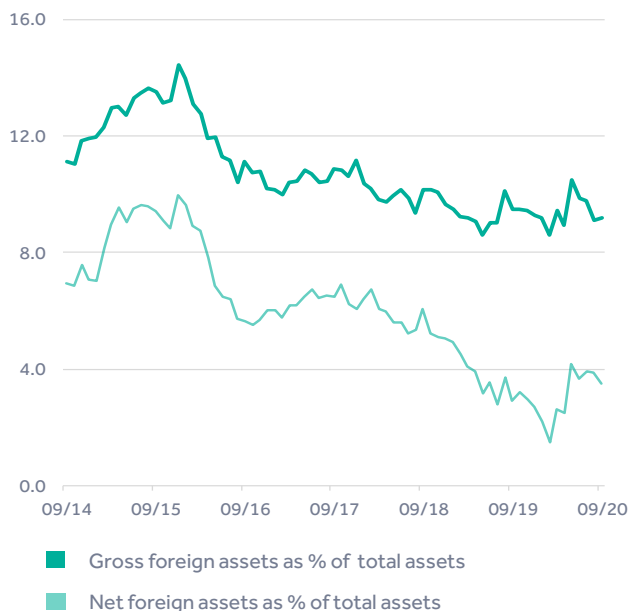
source: SAMA

**Figure 2:**  
Government Sector Loan-Deposit-Ratio



source: SAMA

**Figure 3:**  
Foreign Assets to Total Assets Ratio



source: SAMA

**Figure 4:**  
Excess Liquidity to Total Assets Ratio



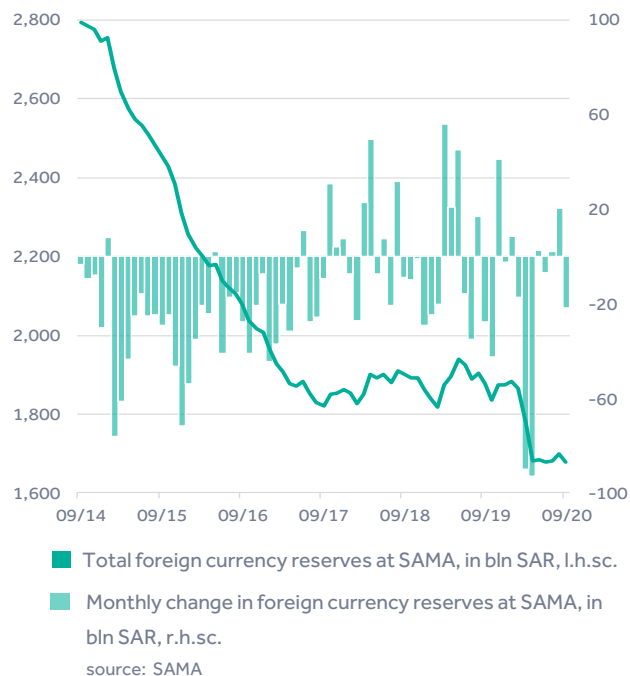
source: SAMA

The divergence between the simple and the statutory loan-deposit-ratio can primarily be explained by SAMA liquidity injections to the banking sector which are only taken into account in the case of the

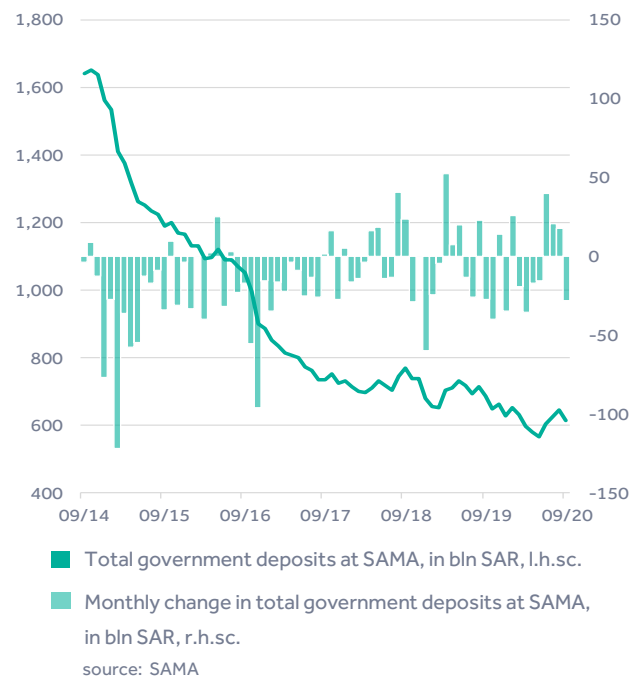
statutory LDR. These injections are aimed at supporting commercial banks in their activity to extend credit to the corporate sector during the period of increased economic stress due to COVID-19.

## SAMA Balance Sheet: Key Elements of Assets and Liabilities

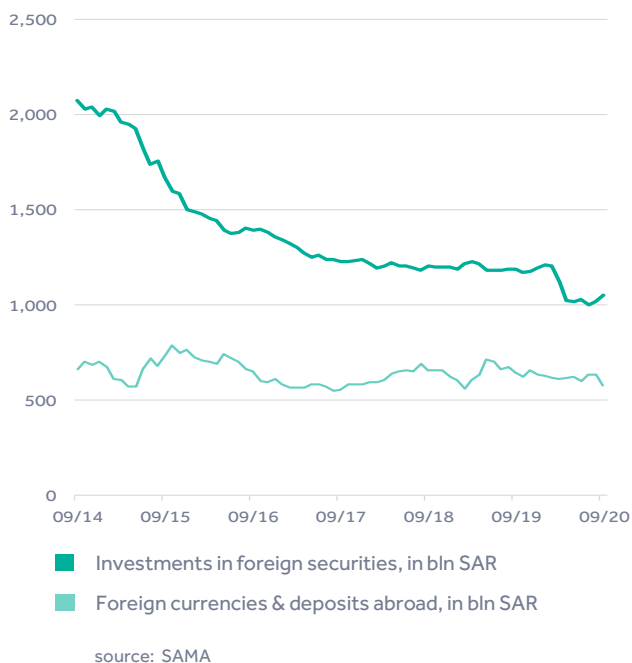
**Figure 1:**  
Foreign Currency Reserves at SAMA



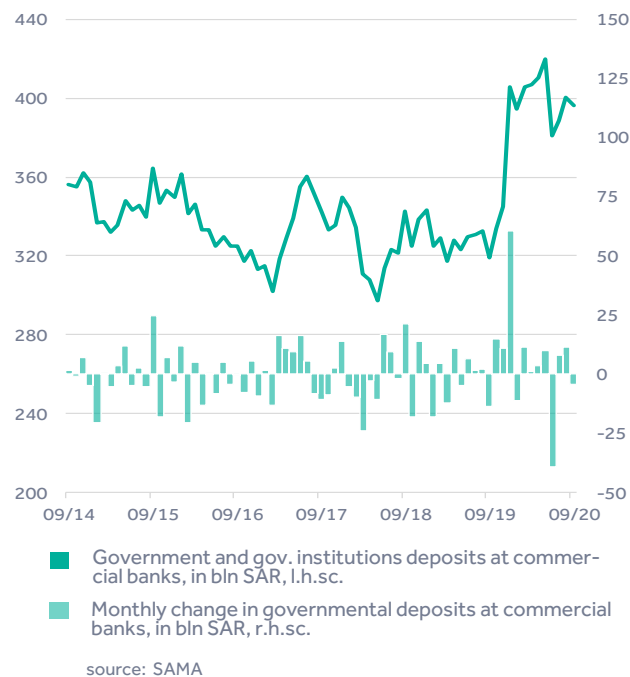
**Figure 2:**  
Government Deposits at SAMA



**Figure 3:**  
Breakdown of Foreign Currency Reserves at SAMA



**Figure 4:**  
Government Deposits at Commercial Banks

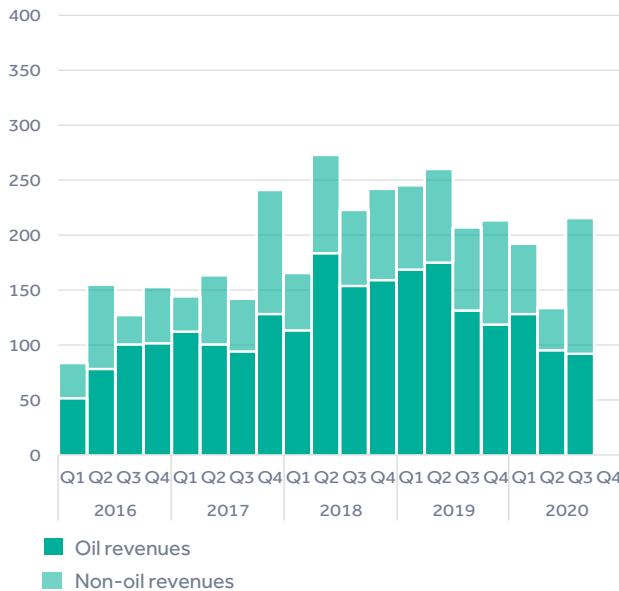


After the record outflow from SAMA official reserves in March and April, which can largely be explained by an extraordinary asset transfer from SAMA to PIF, foreign currency reserves broadly stabilized in the subsequent months. Meanwhile, government deposits at SAMA also stabilized over the last 6 months, which indicates that the budget deficit was primarily financed through borrowing activity.

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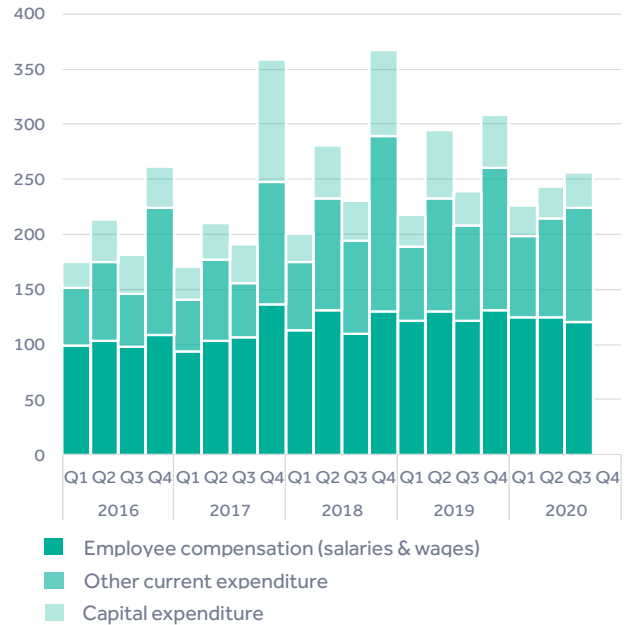
## Quarterly Fiscal Balance and Outstanding Government Debt

**Figure 1:**  
Quarterly Fiscal Revenues (in bln SAR)



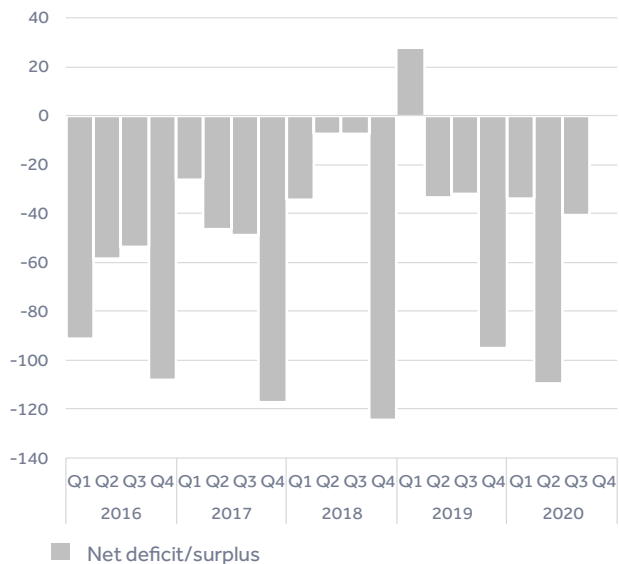
source: MoF

**Figure 2:**  
Quarterly Fiscal Expenditure (in bln SAR)



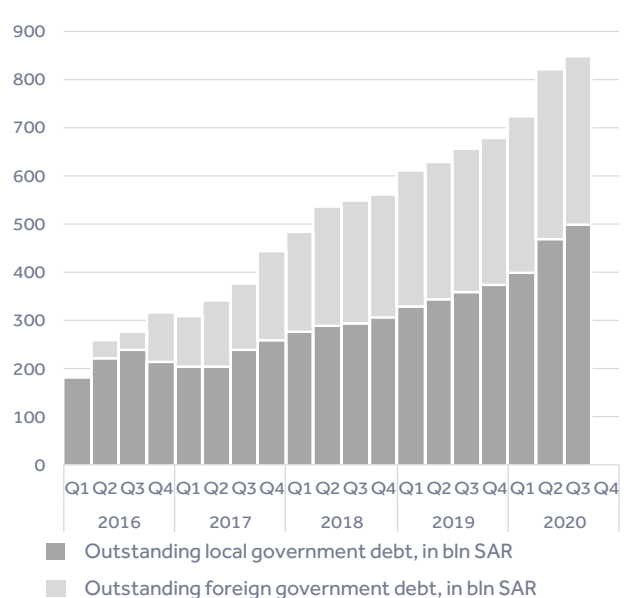
source: MoF

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



source: MoF

**Figure 4:**  
Outstanding Government Debt (End of Quarter)



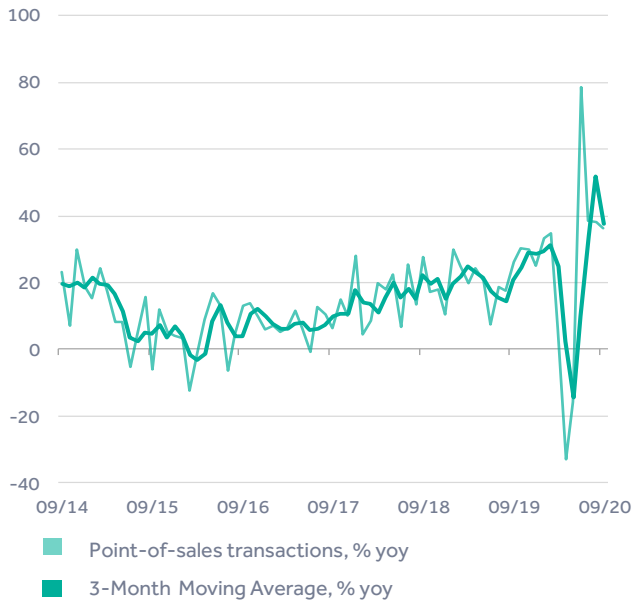
source: MoF

In Q3 2020, non-oil revenues at 123bln SAR turned out to be the highest on record (since 2016). This was due to both a sharp increase in tax revenues after Q2 and a substantial jump in other non-oil

revenues due to extraordinary government investment profits. Oil revenues were lower than in Q2 with 93bln SAR versus 96bln SAR, despite a substantial increase of oil prices over that period.

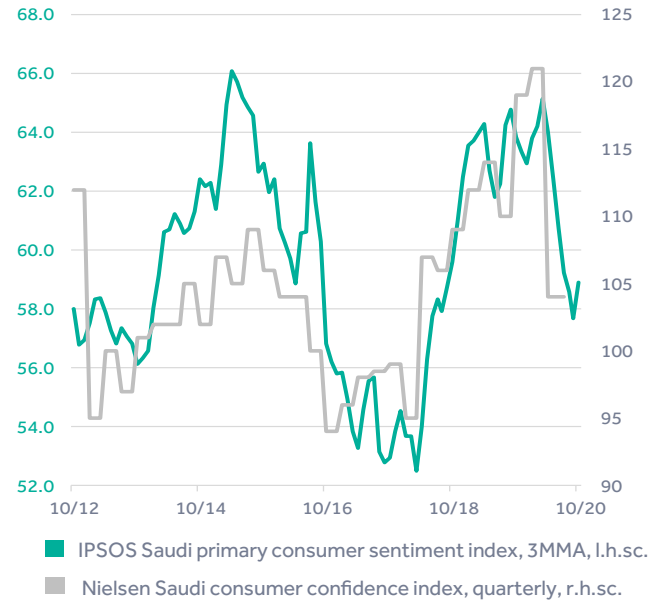
## Private Spending Indicators and Non-Oil Foreign Trade

**Figure 1:**  
**Point-of-Sales Transactions**



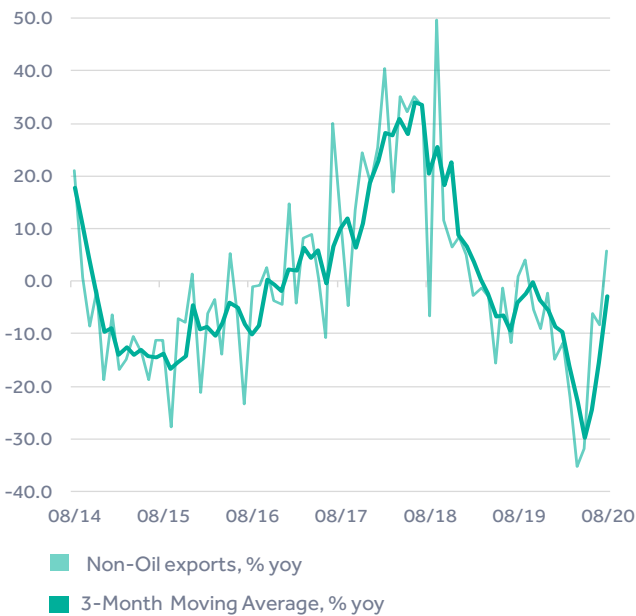
source: SAMA

**Figure 2:**  
**Consumer Sentiment**



source: Refinitiv, Nielsen

**Figure 3:**  
**Growth of Non-Oil Exports**



source: GASTAT

**Figure 4:**  
**Growth of Imports**



source: GASTAT

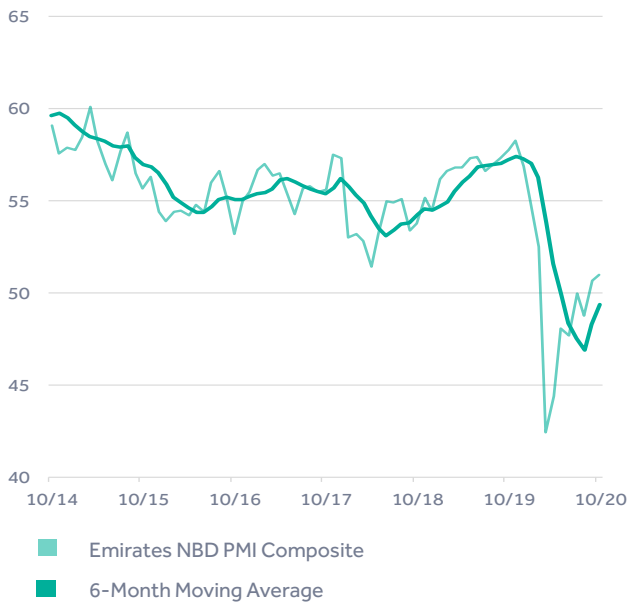
Point-of-sales transactions were largely influenced by the VAT rate increase in July with a sharp increase in June and a gradual decline thereafter. Consumer confidence shows some signs of

stabilization at the beginning of Q4 2020 after a notable decline due to economic impact of the pandemic outbreak. Meanwhile, non-oil export growth started to recover by the middle of the year.



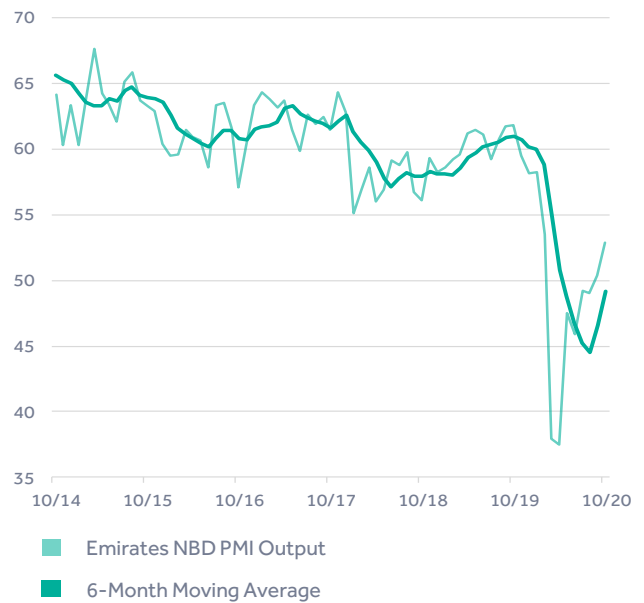
## Non-Oil Private Sector Business Climate Indicators

**Figure 1:**  
Purchasing Manager Index Composite



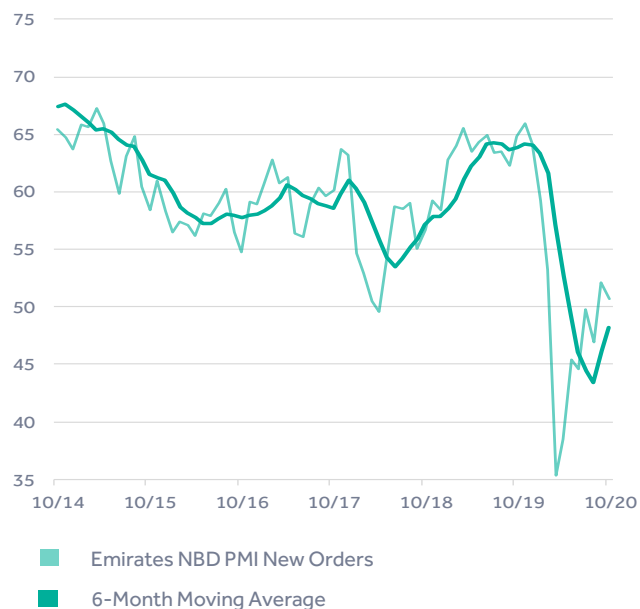
source: Markit

**Figure 2:**  
Purchasing Manager Index Output



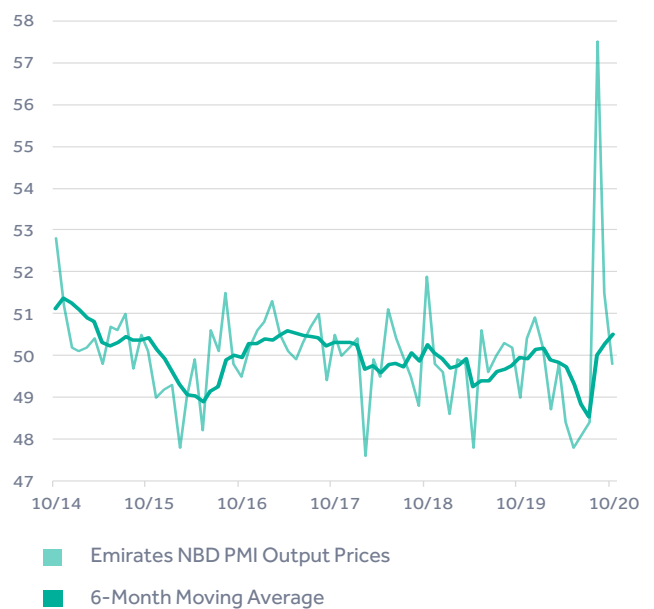
source: Markit

**Figure 3:**  
Purchasing Manager Index New Orders



source: Markit

**Figure 4:**  
Purchasing Manager Index Output Prices



source: Markit

The Saudi Purchasing Manager Indices (PMI) provide overall evidence for a recovery of the non-oil economy in the course of H2 2020. With a reading of 51.0 in October the Composite Index reached the

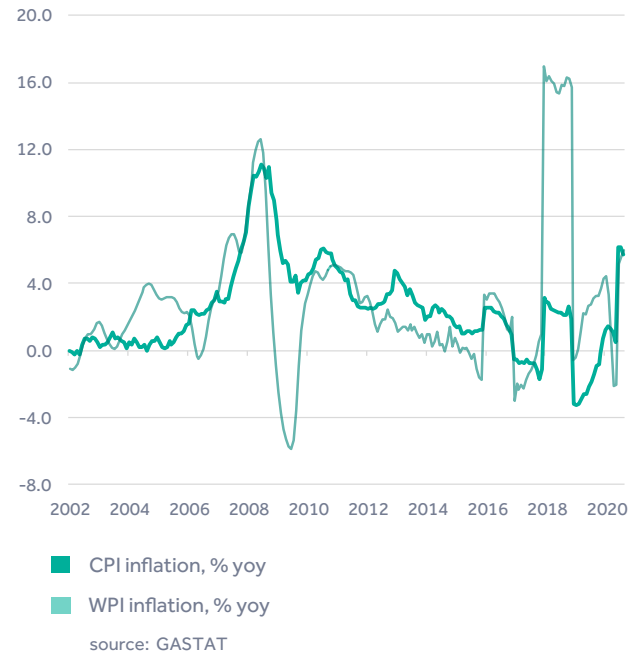
highest level since February, indicating an economic expansion at the beginning of Q4. The PMI Output Prices soared in July as a result of the extraordinary VAT rate increase, but normalized thereafter.

## Consumer and Wholesale Price Inflation

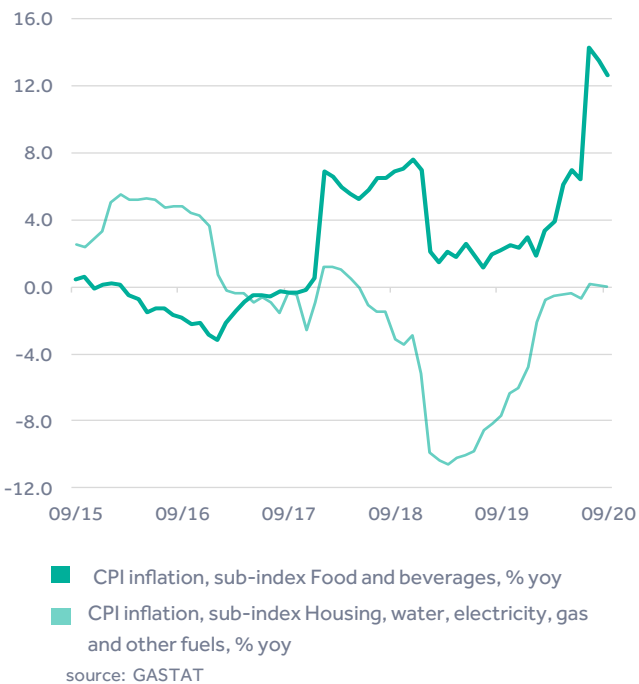
**Figure 1:**  
Consumer Price Inflation All Items



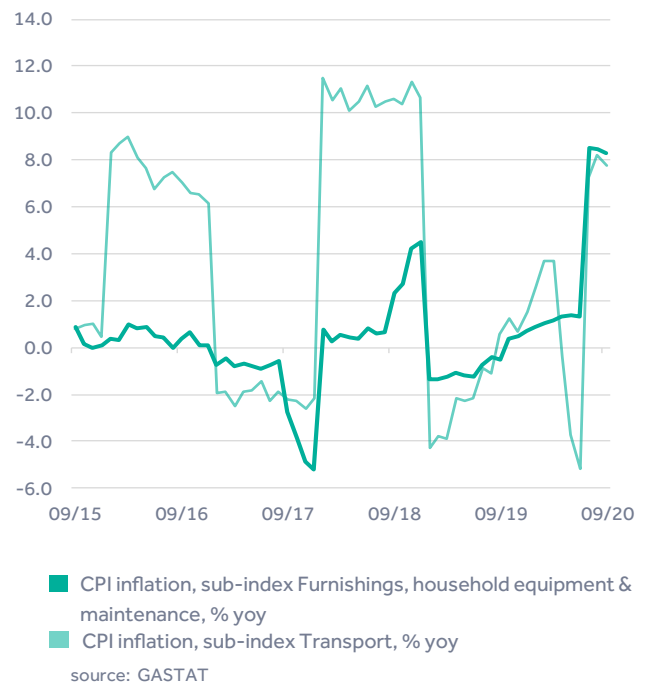
**Figure 2:**  
Consumer Price and Wholesale Price Inflation



**Figure 3:**  
CPI Inflation Food & Housing



**Figure 4:**  
CPI Inflation Furnishings & Transportation

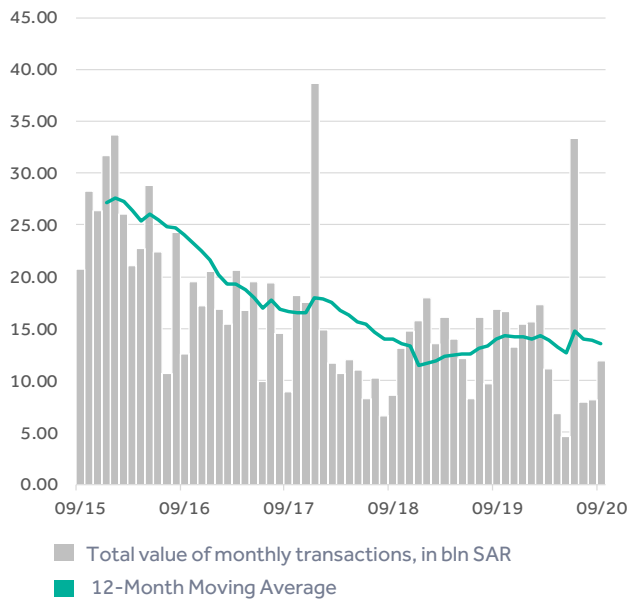


The increase of the VAT rate in July considerably impacted the CPI inflation data. The overall yearly inflation rate climbed from 0.5%yoy in June to 6.1% in July. However, CPI inflation subsequently soft-

tened again to 5.7% in September. Food&beverage prices, a main driver for overall inflation in the last 12 months, witnessed a growth slowdown from 14.3% in July to 12.6% in September.

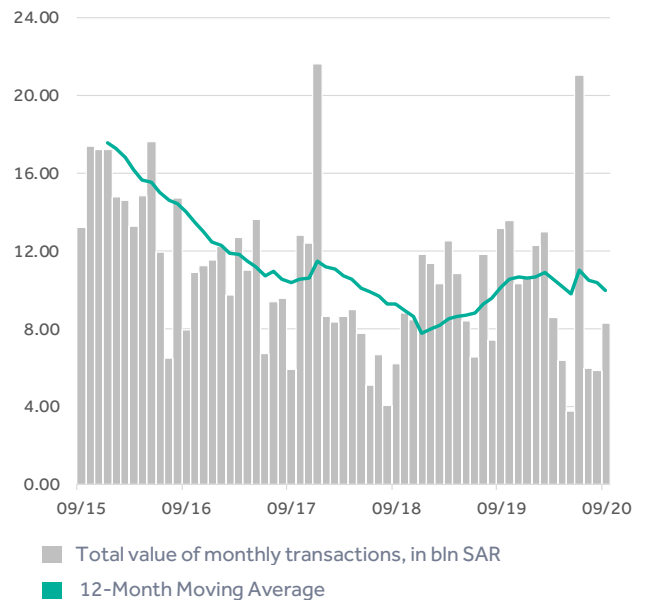
## Real Estate Market: Transaction Activity

**Figure 1:**  
Monthly Real Estate Transactions Overall Country



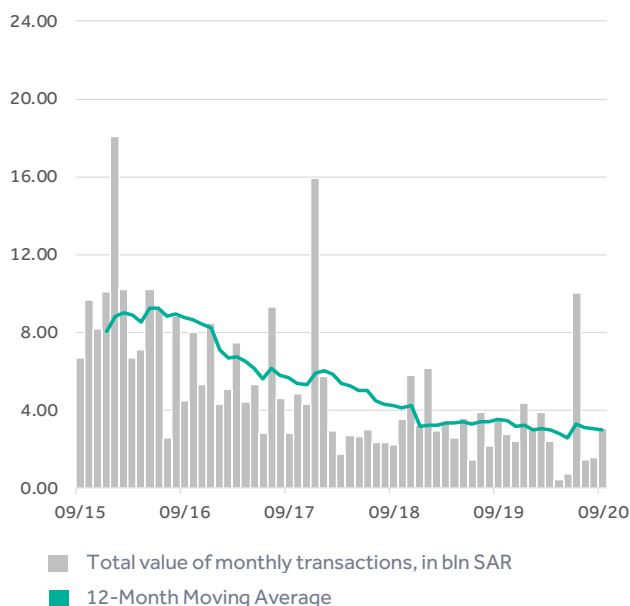
source: MOJ, RC

**Figure 2:**  
Monthly Residential Real Estate Transactions



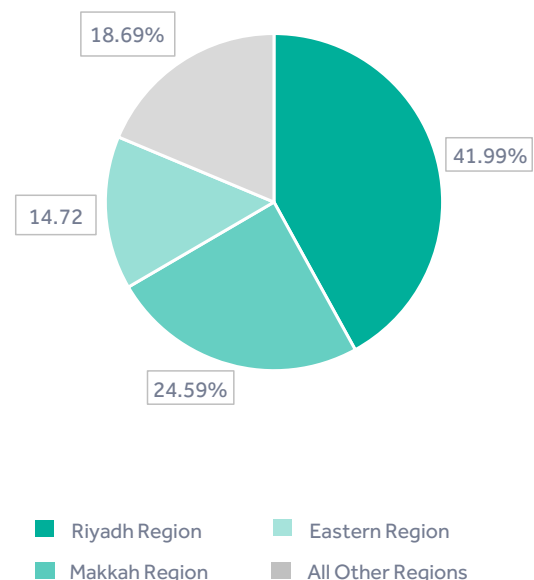
source: MOJ, RC

**Figure 3:**  
Monthly Commercial Real Estate Transactions



source: MOJ, RC

**Figure 4:**  
Breakdown of Transaction Value by Regions (Q3 2020)



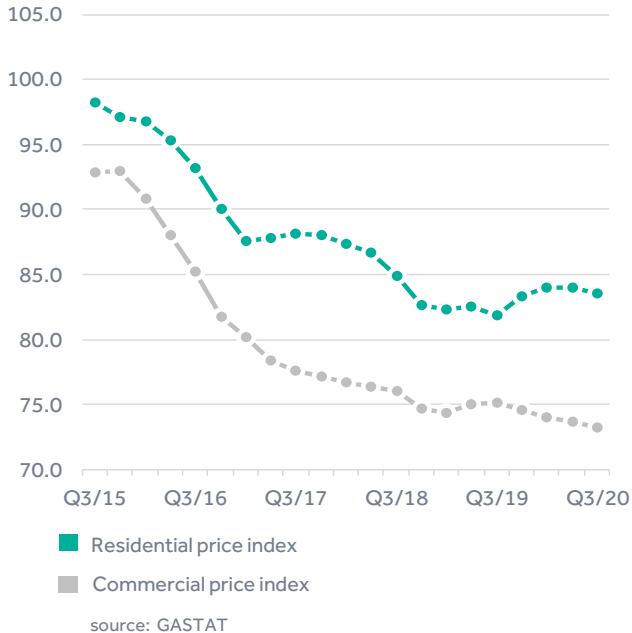
source: MOJ, RC

The lockdown induced recession in Q2 2020 massively impacted the real estate transaction volume. Between February and May 2020, the total transaction value dropped from 17.3bln SAR to 4.6bln SAR.

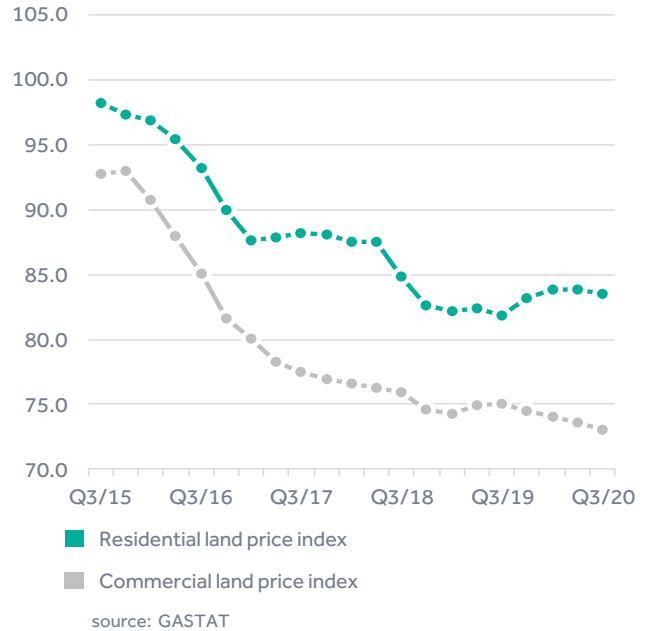
The significant increase to 33.3bln SAR in June is entirely due to the VAT rate hike in July (similar to the jump in December 2017). In Q3 2020, the real estate transaction volume started to pick up again.

## Real Estate Market: Price Indices

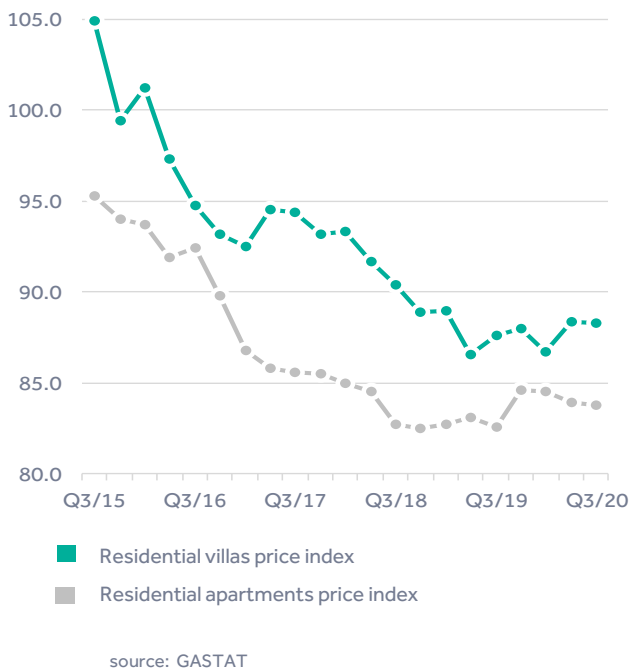
**Figure 1:**  
Residential and Commercial Price Indices



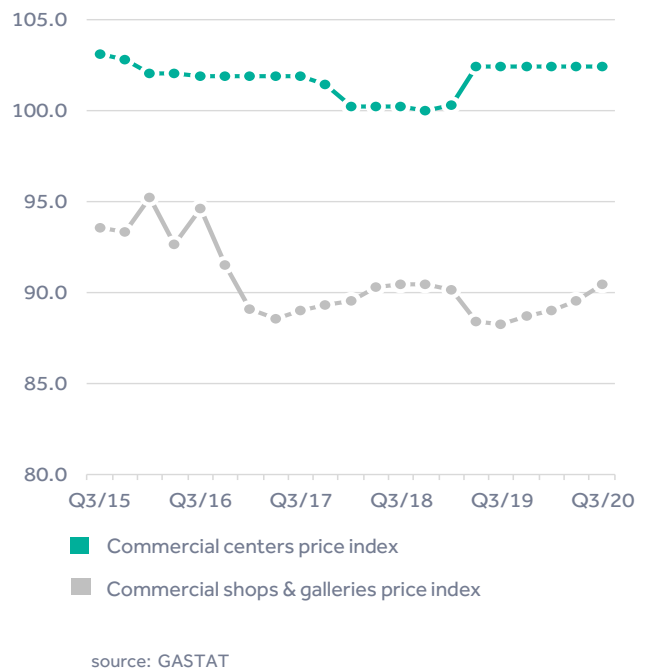
**Figure 2:**  
Residential and Commercial Land Price Indices



**Figure 3:**  
Residential Villas and Apartments Price Indices



**Figure 4:**  
Commercial Shops and Centers Price Indices

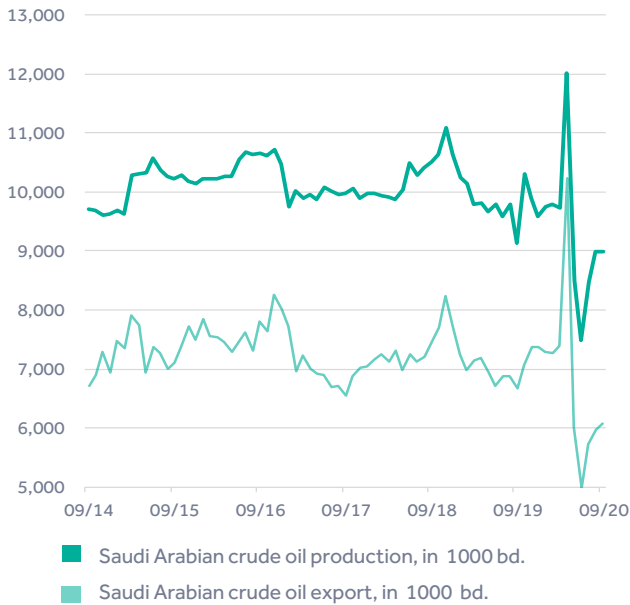


During Q3 2020, real estate prices gradually softened compared to the previous quarter. This can primarily be explained by lower land prices over the period. The residential real estate index weakened

by -0.5%, the commercial real estate index by -0.7%. Compared to the previous year, residential property prices advanced by 2.1%, while commercial property prices dropped by -2.5%.

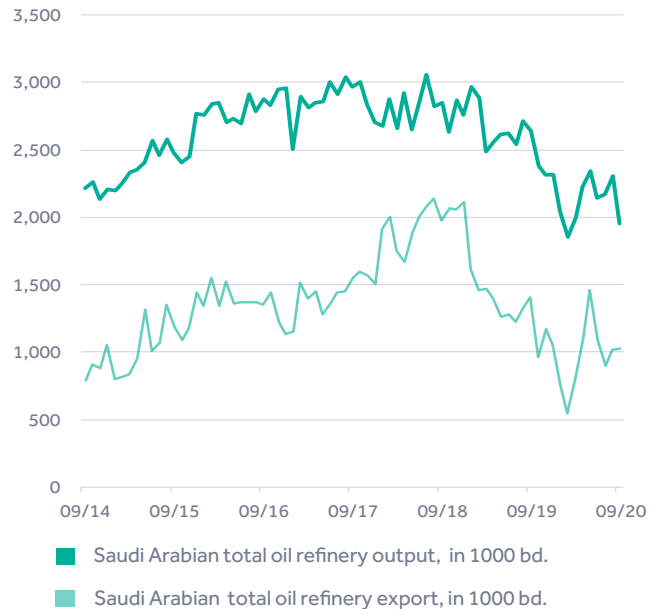
## Oil Market Statistics: Production, Exports, Refinery and Prices

**Figure 1:**  
Saudi Crude Oil Production and Exports



source: JODI, Bloomberg

**Figure 2:**  
Saudi Crude Refinery Output and Exports



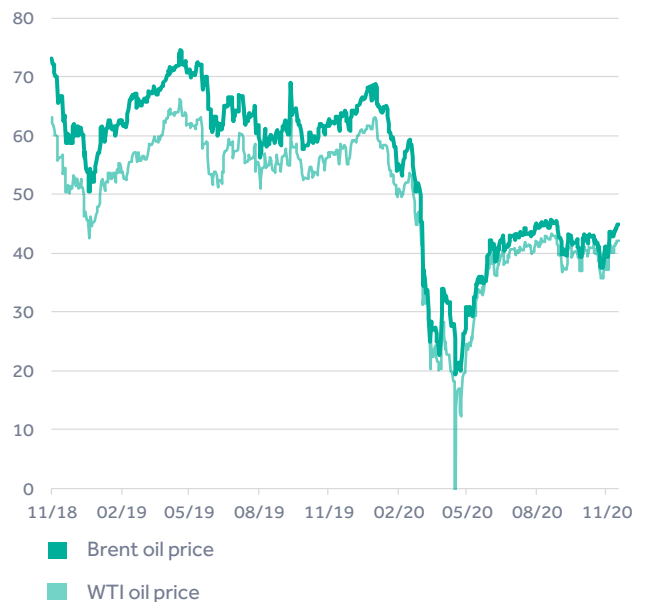
source: JODI

**Figure 3:**  
OPEC Crude Output



source: JODI, Bloomberg

**Figure 4:**  
Oil Prices



source: Bloomberg

Based on the OPEC+ oil production roadmap defined in April, Saudi crude output expanded from a multi-year low of 7.5mbd in June to 8.9mbd in September. On the back of the renewed global COVID-

19 outbreak, OPEC+ may delay a further production increase scheduled for January 2021. The renewed global pandemic threat also capped the recovery of oil prices at the beginning of Q4 2020.

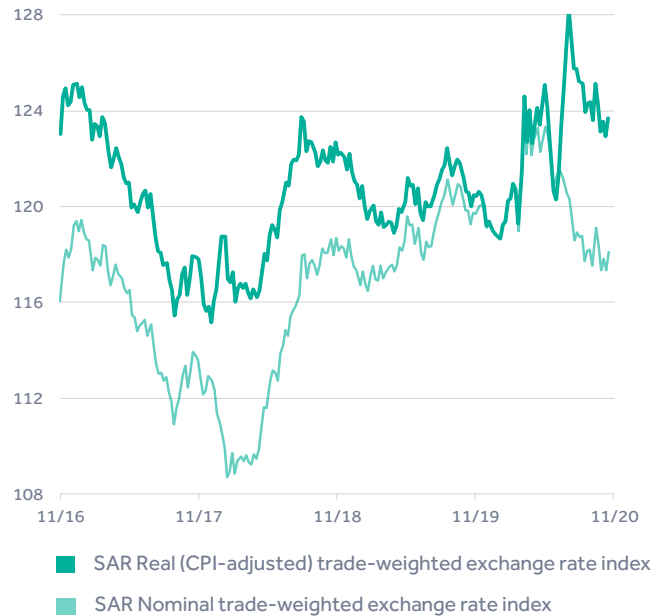
## Foreign Exchange: Forward Rates and Effective Exchange Rate Index

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



source: Bloomberg

**Figure 2:**  
SAR Nominal and Real Effective Exchange Rate



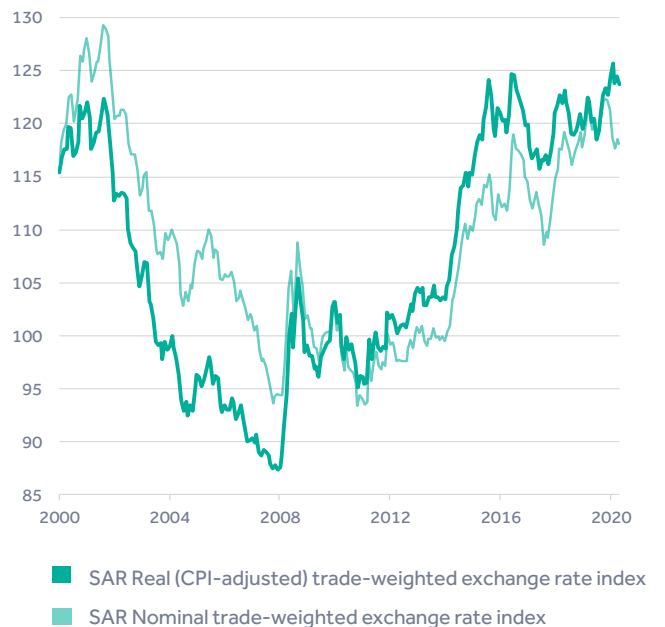
source: Bloomberg, JP Morgan

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



source: Bloomberg

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



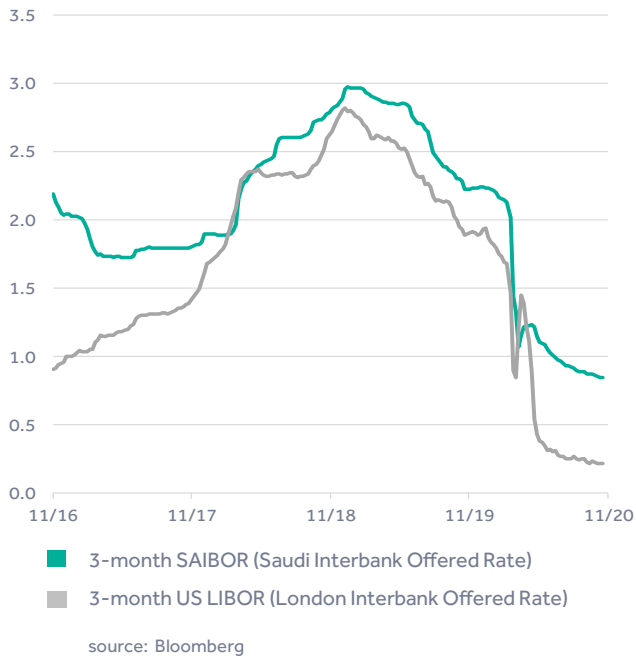
source: Bloomberg, JPMorgan

In the course of Q3 2020, the USD/SAR forward premium continued to ease and is currently only gradually above the pre-pandemic lows of January 2020. The most recent divergence between the

nominal and real SAR exchange rate index can be explained by the VAT rate hike in July which caused CPI inflation to spike and, hence, pushed the real (CPI adjusted) exchange rate index up by about 6%.

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

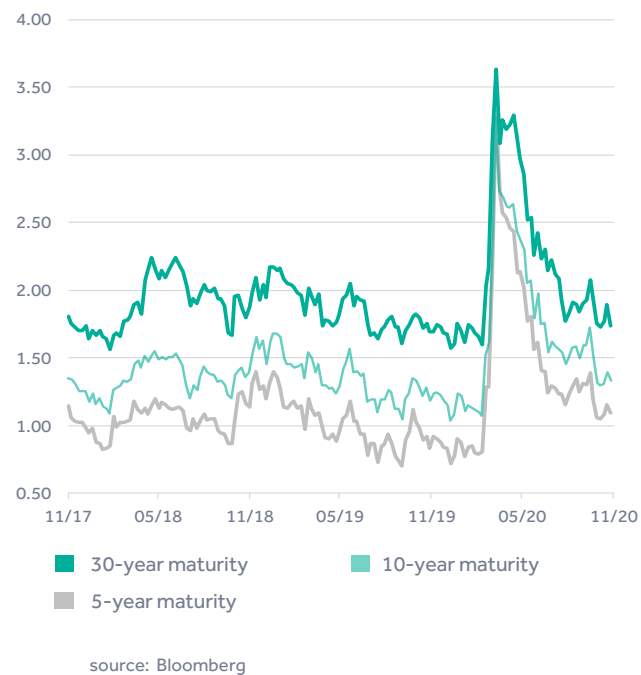
**Figure 1:**  
3-Months SAIBOR vs. USD LIBOR



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

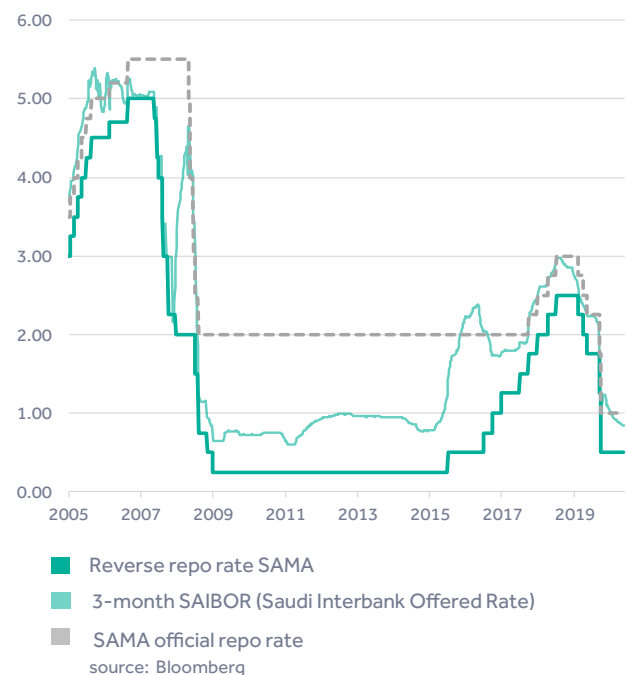


**Figure 3:**  
KSA USD-Bonds Yield Spread to US Treasuries



3M SAIBOR and 3M LIBOR declined in H2 2020 to reach 0.84% respectively 0.21% by mid-November. There is only limited room for further spread tightening from currently 63bp as long as SAMA keeps its

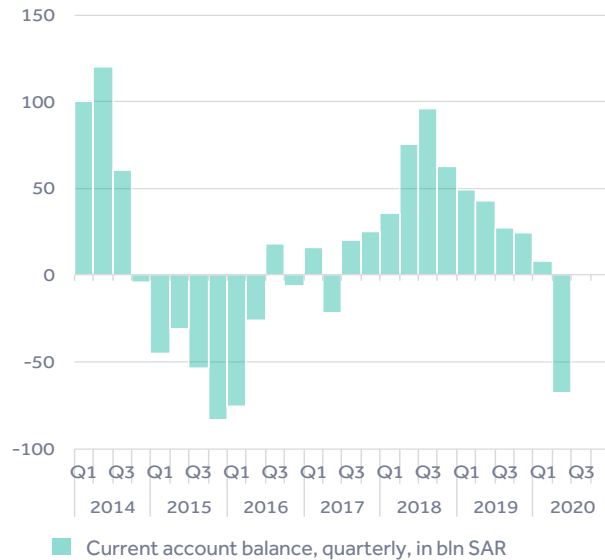
**Figure 4:**  
Central Bank Rate and 3-Months SAIBOR



Reverse Repo Rate at 0.50% with the FED fund rate at 0.25% (upper boundary). KSA USD bond spreads to US-Treasuries continued to tighten in H2 2020 but are still above their pre-pandemic levels.

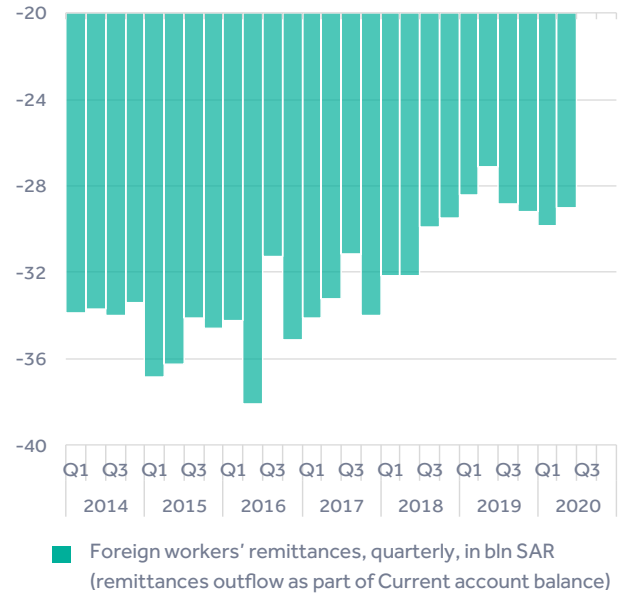
## Saudi Balance of Payments

**Figure 1:**  
Current Account Balance



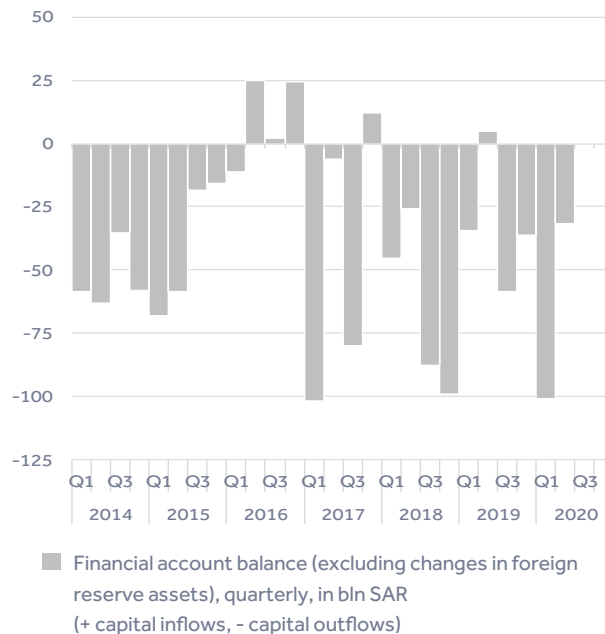
source: SAMA

**Figure 2:**  
Foreign Workers' Remittances



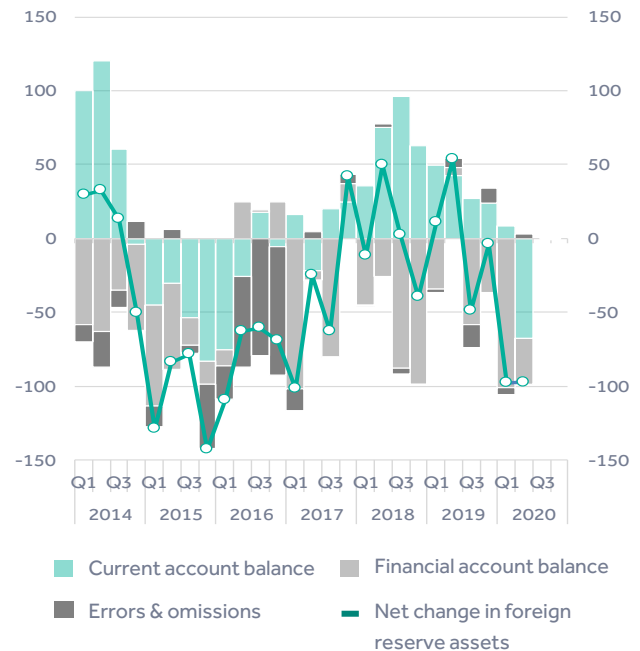
source: SAMA

**Figure 3:**  
Financial Account Balance



source: SAMA

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



source: SAMA

Due to sharply lower oil exports, the current account balance dropped in Q2 2020 for the first time in 3 years again into a deficit (-67bln SAR). Combined with a private financial account deficit of -

33bln SAR (and errors&omissions of +3bln SAR), this translated into a drawdown in official foreign reserve assets at SAMA of 97bln SAR in Q2 2020, almost the same amount as in the previous quarter.

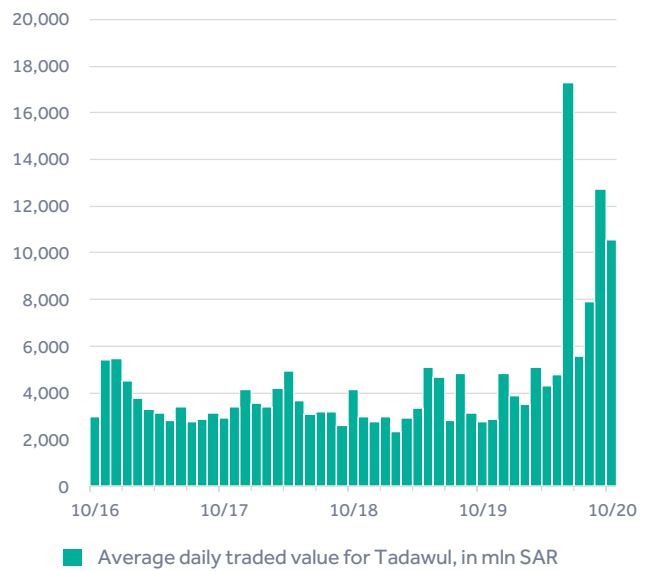


## Tadawul: Saudi Equity Market Statistics

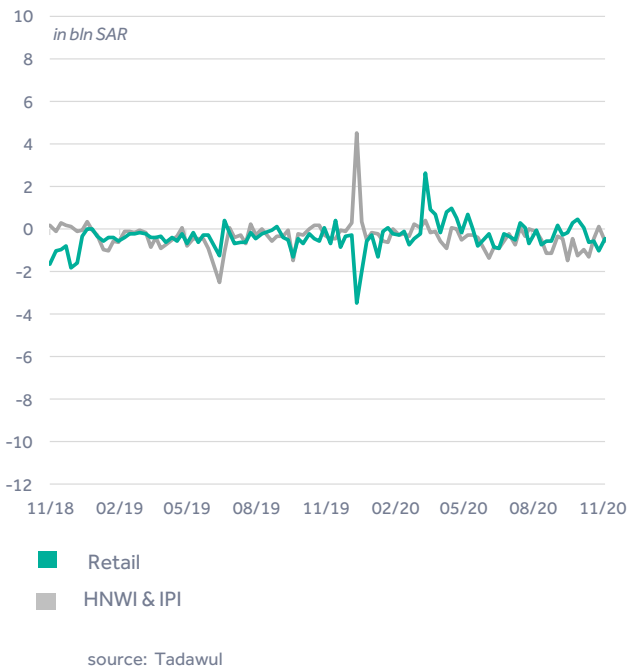
**Figure 1:**  
Tadawul All-Share Index



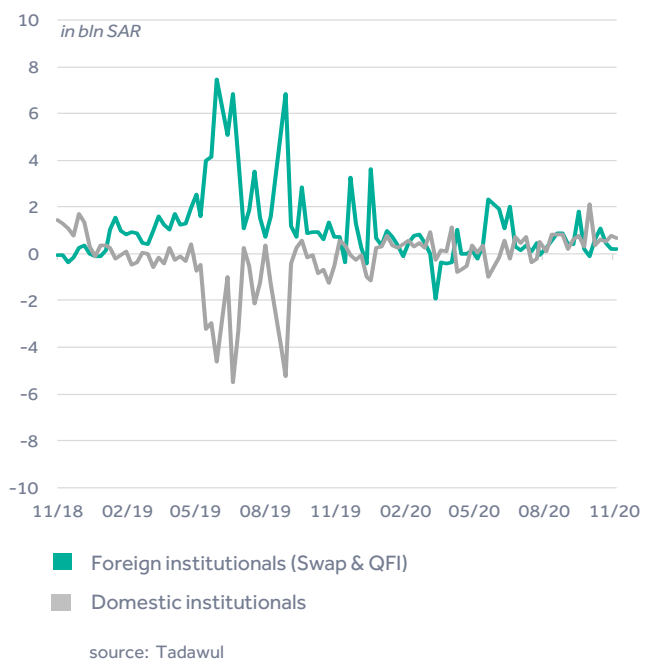
**Figure 2:**  
Tadawul Average Daily Traded Value



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



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

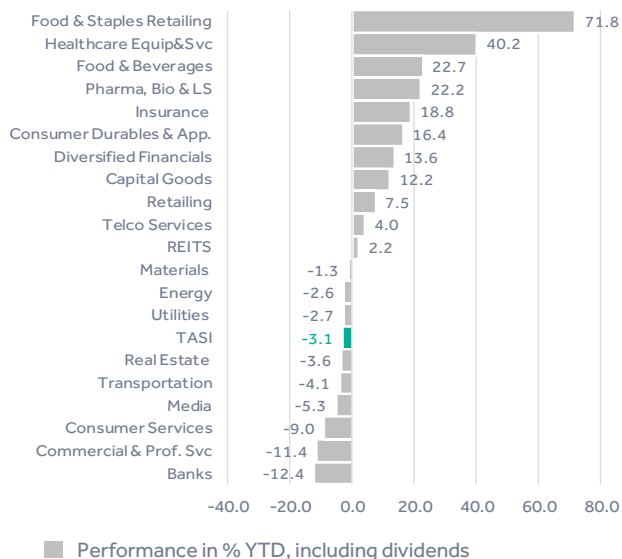


The Saudi equity market rallied in the course of H2 2020 to reach the level of 8600 by mid-October after a low close to 6000 in March. This upsurge was accompanied by increased trading volumes. The

average daily traded value for September amounted to 12.7bln SAR, for October still to 10.5bln SAR. This favourably compares to an average daily traded value of 3.6bln SAR for the full year 2019.

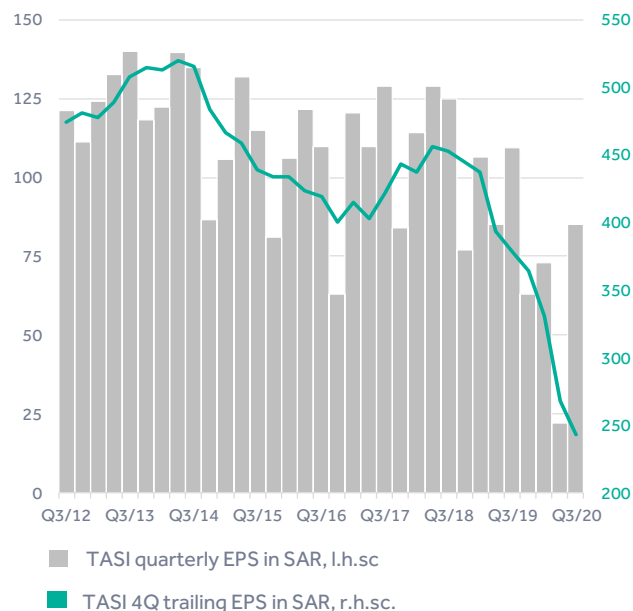
## Tadawul: Saudi Equity Market Statistics

**Figure 1:**  
Performance TASI Sectors October 2020YTD



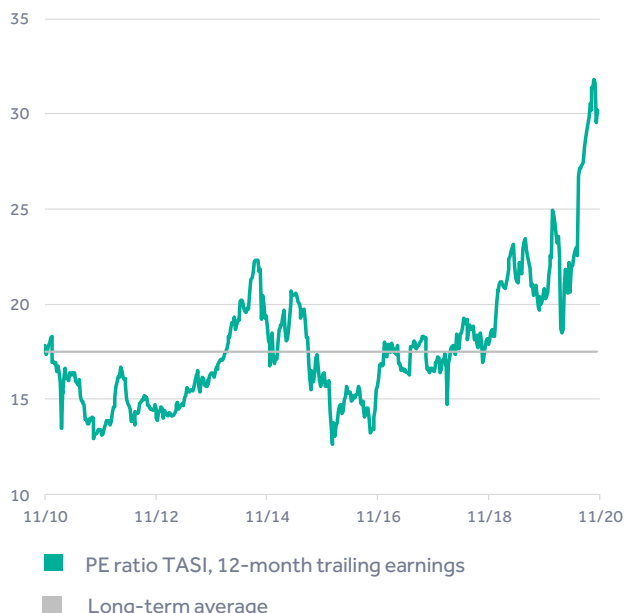
source: Bloomberg

**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

Defensive sectors, such as food&staples retailing, healthcare and pharmaceuticals were the TASI top performers so far this year, while consumer and commercial services and banks turned out to be the

worst performing sectors. Due to the strong TASI rally since March despite a notable decline of trailing and forward earnings over this period, the Saudi market looks expensive by historical standards.

## Saudi Economic Outlook

In 2020, the Saudi economy is affected by two major factors: The fallout of the Coronavirus outbreak and the decline of oil prices due to the global economic shutdown.

In our baseline scenario, the non-oil private sector economy is expected to notably slow down with a cyclical trough in the second quarter and a gradual recovery towards the end of the year. For the full year 2020, we forecast non-oil private sector growth to contract by -4.3%.

Based on the assumption that the impact of the Coronavirus pandemic will fade in 2021, we project a recovery of the non-oil private sector in the course of next year with a full year growth rate of 3.8%

On the back of the OPEC+ output cut agreement the Saudi oil production is expected to decline in 2020 which will translate into a negative GDP growth contribution by the oil sector of -5.2%. For next year, we project a rebound in the order of 3.5%.

As a result, GDP growth of the overall economy is forecasted to decline by -3.9% in 2020 and projected to recover to 3.3% next year.

The fiscal deficit is forecasted to widen to -12.1% of GDP in 2020, specifically due to distinctly lower oil revenues on the one hand and pandemic induced higher spending on the other. The expected economic recovery in combination with higher oil prices will lead to a notable reduction of the fiscal deficit to -7.5% of GDP in 2021.

We expect oil prices to further recover towards the end of 2020 and in the course of next year. For the full year 2021, our baseline scenario projects an average Brent price of 53USD after 43USD in 2020.

CPI inflation has notably pick up in 2020 due to the VAT rate increase in July. We forecast inflation to average at 3.4% for this year and 3.3% for next 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 0.84% to 0.70% until end of next year.

### Facts and Forecasts at a Glance

	2018	2019	2020f	2021f
<b>Real GDP Growth</b>				
Overall economy	2.4	0.3	-3.9	3.3
Non-oil Private sector	1.9	3.8	-4.3	3.8
Government sector	2.9	2.2	0.5	1.8
Oil sector	3.1	-3.6	-5.2	3.5
<b>Fiscal Balance and Government Debt</b>				
Fiscal Balance in bln SAR	-174	-133	-300	-214
Fiscal Balance in % GDP	-5.9	-4.5	-12.1	-7.5
Government debt in bln SAR	560	678	854	982
Government debt as % GDP	19.0	22.8	34.4	34.3
<b>Trade and Current Account</b>				
Trade Balance in bln SAR	633	485	183	327
Trade Balance in % GDP	21.5	16.3	7.4	11.4
Current Account in bln SAR	265	187	-85	52
Current Account in % GDP	9.0	6.3	-3.4	1.8

source: GASTAT, SAMA, RC

	2018	2019f	2020f	2021f
<b>Oil Prices and Production (yearly average)</b>				
Brent price (USD pb)	71.7	64.1	43.0	53.0
WTI price (USD pb)	64.9	57.0	39.0	51.0
OPEC Basket price (USD pb)	69.8	64.0	42.0	52.0
KSA oil production (mln bd)	10.3	9.8	9.2	9.5
<b>Inflation and Interest Rates (year end)</b>				
CPI Inflation (yearly average)	2.46	-2.09	3.40	3.30
3M SAIBOR SAR	2.98	2.23	0.80	0.70
Reverse Repo Rate	2.50	1.75	0.50	0.50
Official Repo Rate	3.00	2.25	1.00	1.00
<b>Labor Market (yearly average)</b>				
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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