



Saudi Economic Chartbook

Fourth Quarter 2021

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

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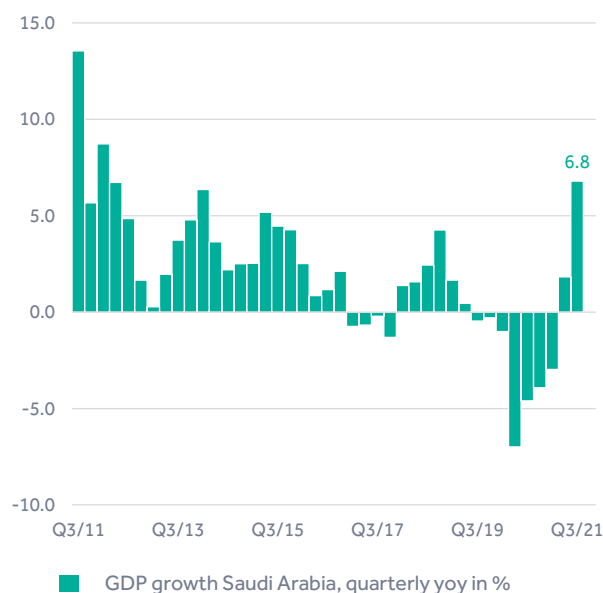
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GDP Growth Spurred by Strong Oil Sector Recovery

- Based on flash estimates, GDP growth of the Saudi economy has reached 6.8%yoy in Q3 2021 - the strongest reading since 2012. Growth is primarily spurred by the massive oil sector recovery of 9.0%yoy in Q3 after a period of more than two years with negative growth contribution (see graphic).
- The Saudi non-oil private sector growth gradually eased to a still solid 6.2% yoy after peak expansion in Q2. Business climate indicators (PMI) and consumer confidence continue to be comparably strong in Q3 2021.
- The fiscal deficit has considerably narrowed to a marginal -5.4bln SAR after nine months, primarily due to significantly higher revenues and contained expenditure versus last year. Based on our projections, the Saudi fiscal balance will record a small deficit this year and already a surplus in 2022.
- CPI inflation has moderately picked up to 0.8% in October after a low of 0.4% in July, mainly driven by price increases in transportation while the housing sub-index still remains in deflationary territory.
- On the back of the latest OPEC+ output expansion plan, Saudi crude oil production has picked up from 8.1 mbd in April to 9.6 mbd in September. We expect this trend to continue and forecast Saudi oil production to reach pre-crisis levels in the course of 2022.
- The Saudi equity market has extended its impressive rally in H2 2021. The fundamental driver has been a massive earnings recovery over the last 12 months, lifting TASI EPS by a stunning 85%. This also caused valuation metrics to ease despite the strong market movement.

Highest GDP Growth Rate since 2012 in Q3 2021

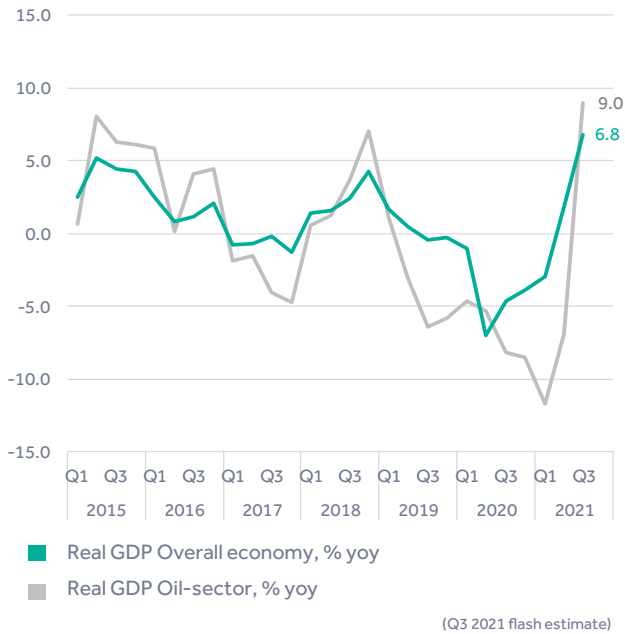


For more than two years in a row the oil sector GDP contribution has been negative, mainly due to crude oil output reductions. With oil production expanding again and expected to reach pre-crisis levels in 2022, the oil sector will turn out to be the major growth driver of the Saudi economy in the next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

source: GASTAT

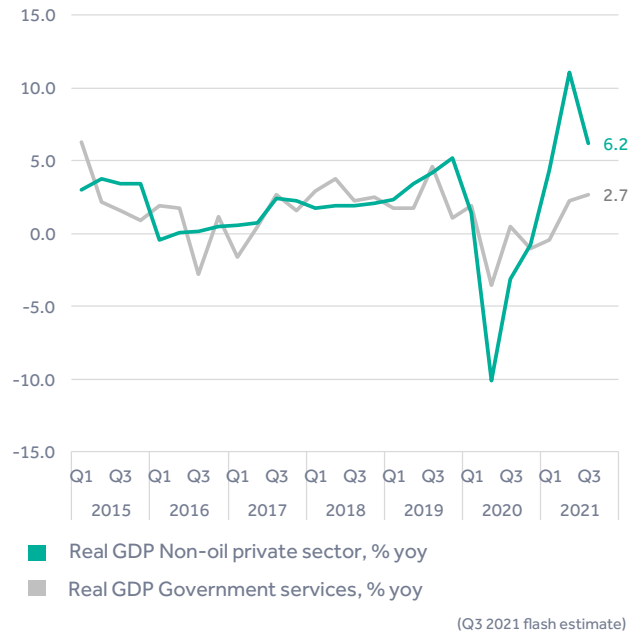
Gross Domestic Product (GDP) Overall Economy and Institutional Sectors

Figure 1:
GDP YoY: Overall Economy and Oil Sector



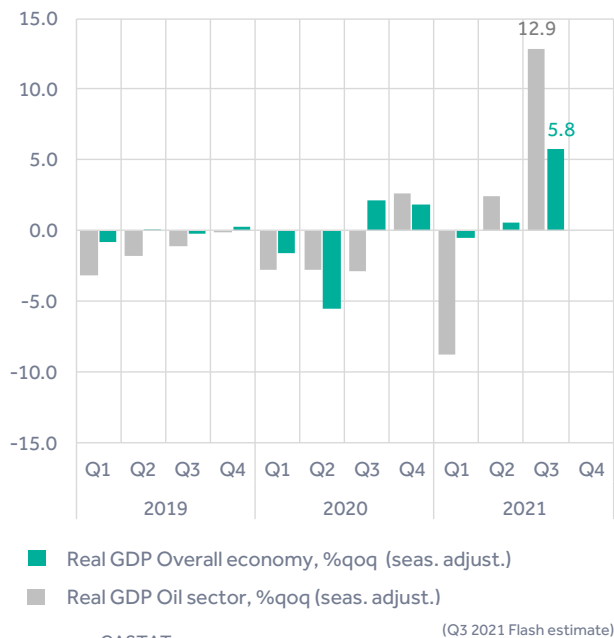
source: GASTAT

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



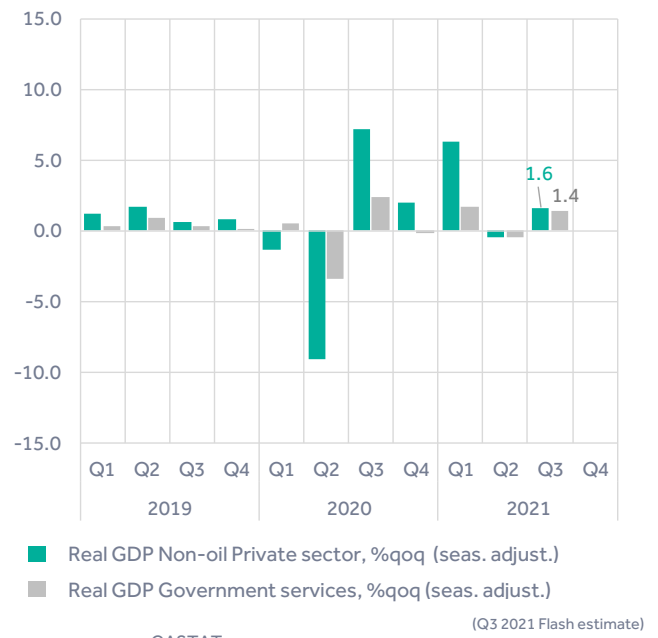
source: GASTAT

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 Q3 2021 indicate that the Saudi yoy real GDP growth has accelerated to 6.8%, a growth level last seen in 2012. This growth increase can primarily be explained by a jump in GDP growth

contribution to 9.0% by the oil sector. Concurrently, yoy growth of the non-oil private sector economy gradually eased to a still solid 6.2%, while its qoq growth rate turned positive again in Q3 with 1.6%.

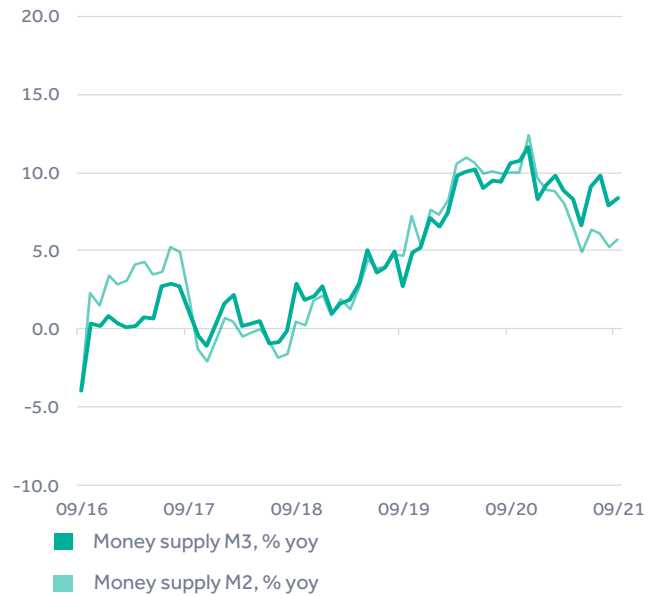
Monetary Aggregates, Credit and Commercial Banks' Deposits

Figure 1:
Growth Rate Monetary Base and Money Supply M1



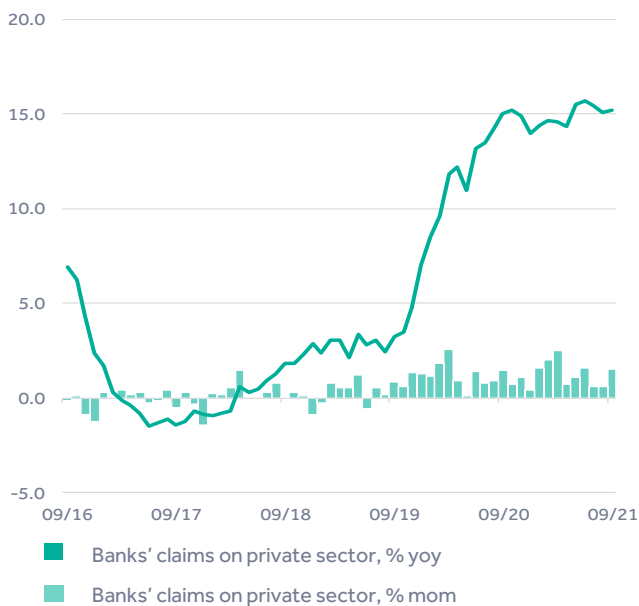
source: SAMA

Figure 2:
Growth Rate Money Supply M2 and M3



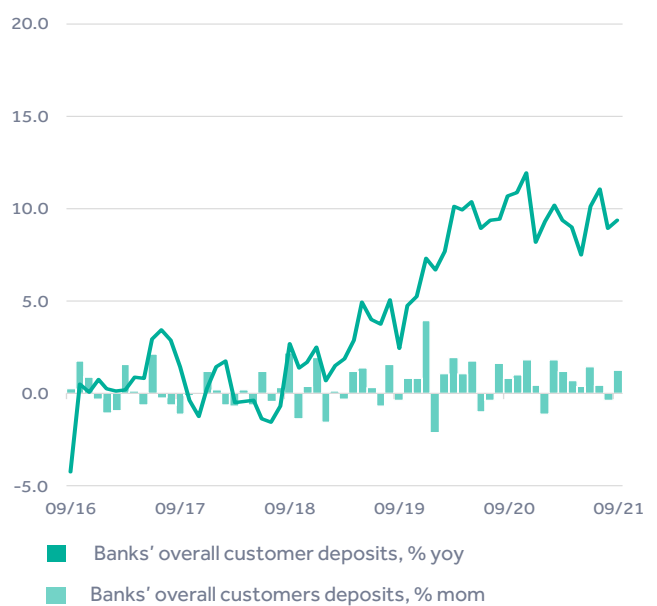
source: SAMA

Figure 3:
Growth of Credit to the Private Sector



source: SAMA

Figure 4:
Growth of Commercial Banks' Deposits



source: SAMA

Customer deposit growth and accordingly money supply growth has faltered since end of last year. Growth of money supply M3 softened to 8.4% yoy in September while customer deposits rose by 9.4%

yoy. On the other hand, credit to the private sector continues to show strong growth with 15.2%yoy in September. This is primarily driven by residential mortgage loans, albeit at a gradually lower pace.

Commercial Banks Key Ratios

Figure 1:
Private Sector Loan-Deposit-Ratio

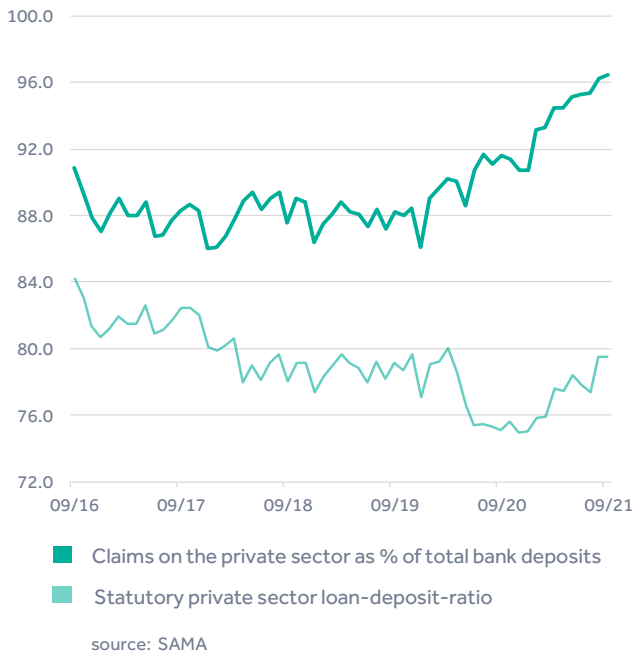


Figure 2:
Government Sector Loan-Deposit-Ratio

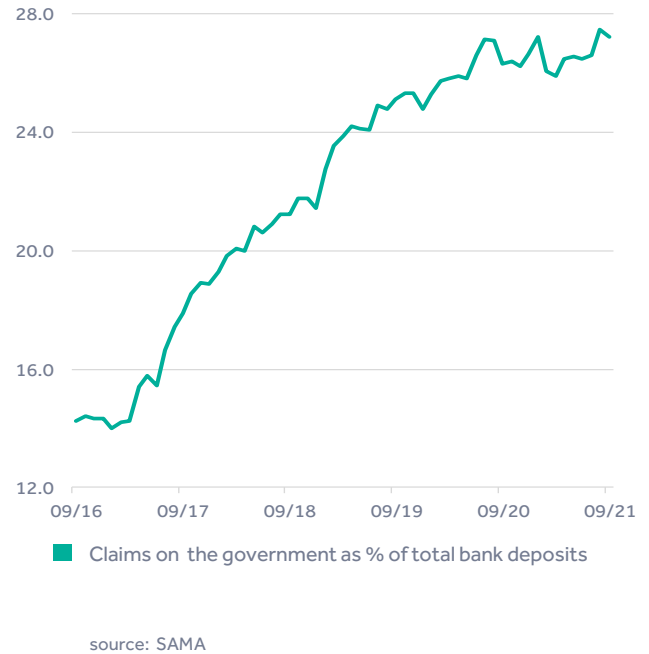


Figure 3:
Foreign Assets to Total Assets Ratio

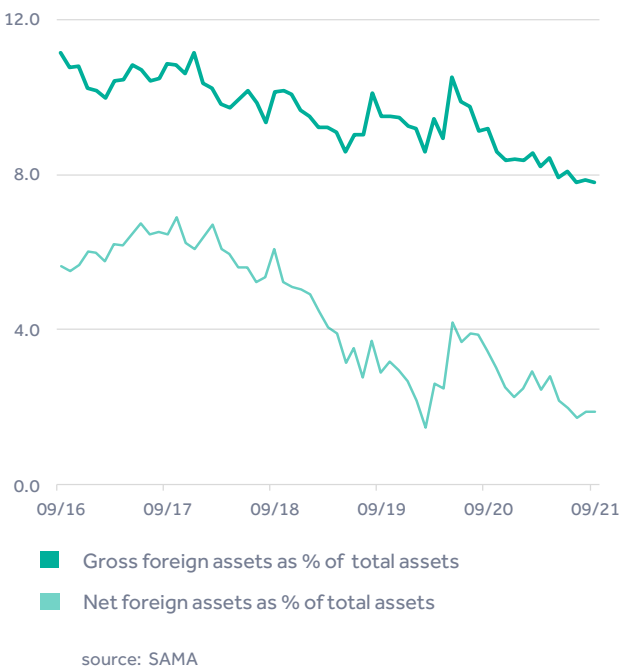


Figure 4:
Excess Liquidity to Total Assets Ratio



As a consequence of credit growth to the private sector outpacing the rise in bank deposits since the beginning of the year, the private sector LDR has started to climb. This indicates gradually less ample

liquidity in the banking sector in H2 2021. This observation is confirmed by the decline of the banks' excess liquidity to total assets ratio from a peak of 21.3% in December 2020 to 17.7% in September.

SAMA Balance Sheet and Government Deposits

Figure 1:
Foreign Currency Reserves at SAMA

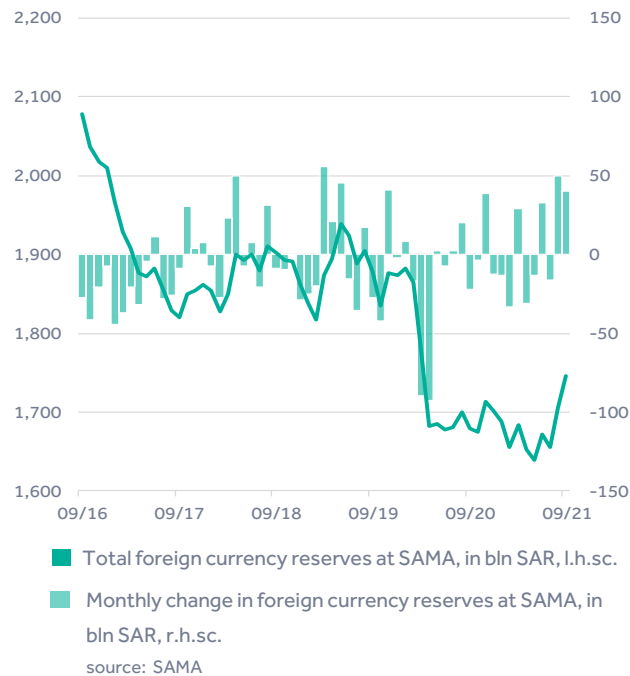


Figure 2:
Government Deposits at SAMA

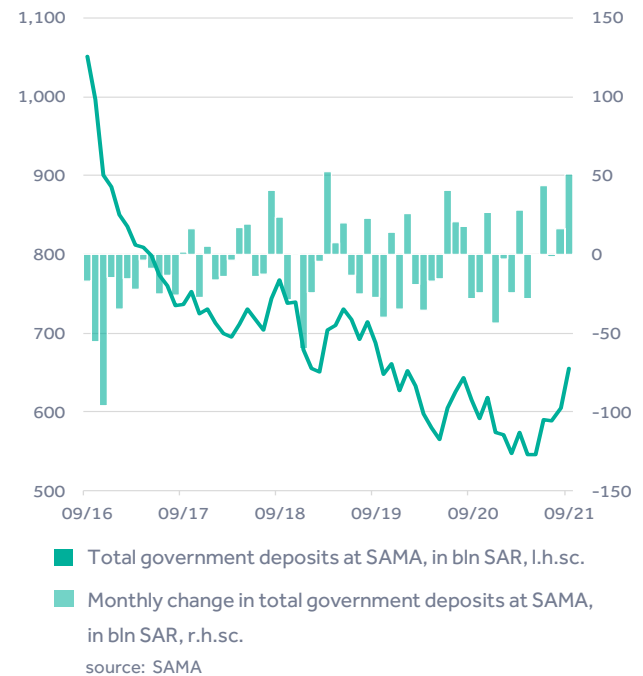


Figure 3:
Breakdown of Foreign Currency Reserves at SAMA

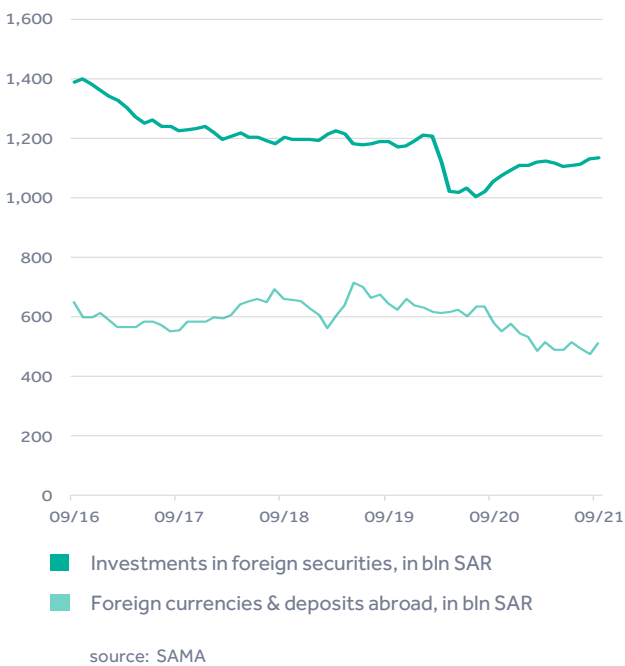
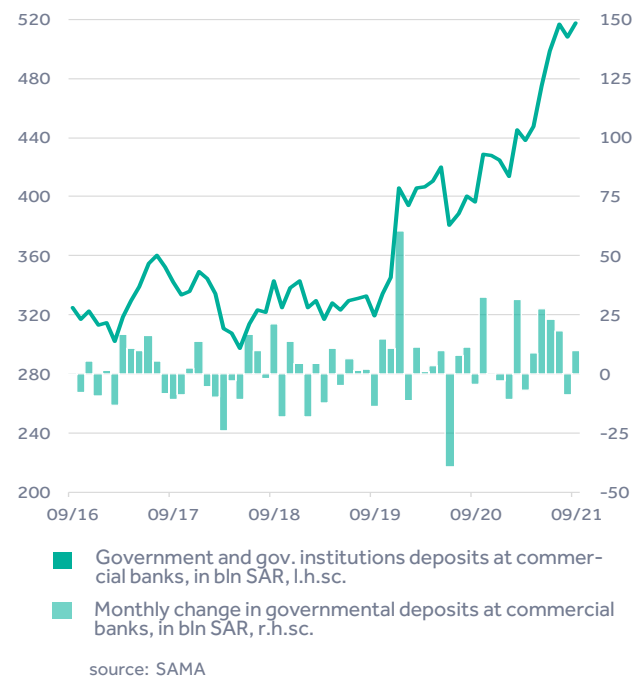


Figure 4:
Government Deposits at Commercial Banks

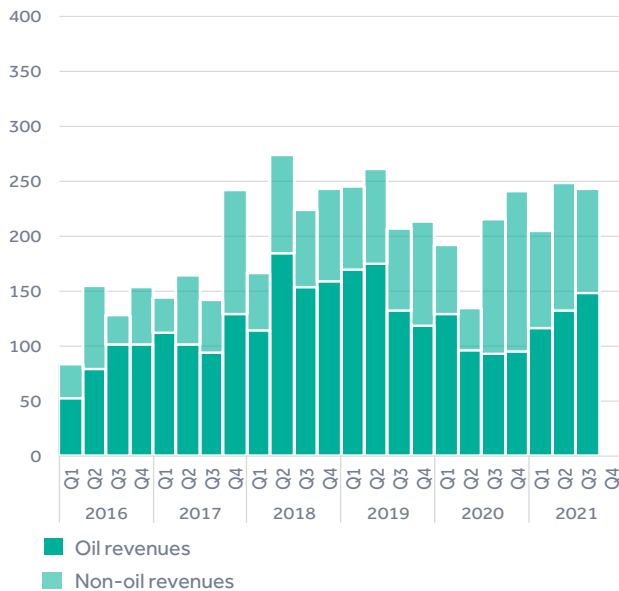


SAMA official foreign reserves climbed by 107bln SAR since their low in May. From this amount 51 bln SAR can be attributed to an allocation of Special Drawing Rights (SDR) by the IMF in August. At the

same time, government and government institutions' accounts with SAMA rose by 109 bln SAR since May, while their accounts with commercial banks increased by 43 bln SAR in the same period.

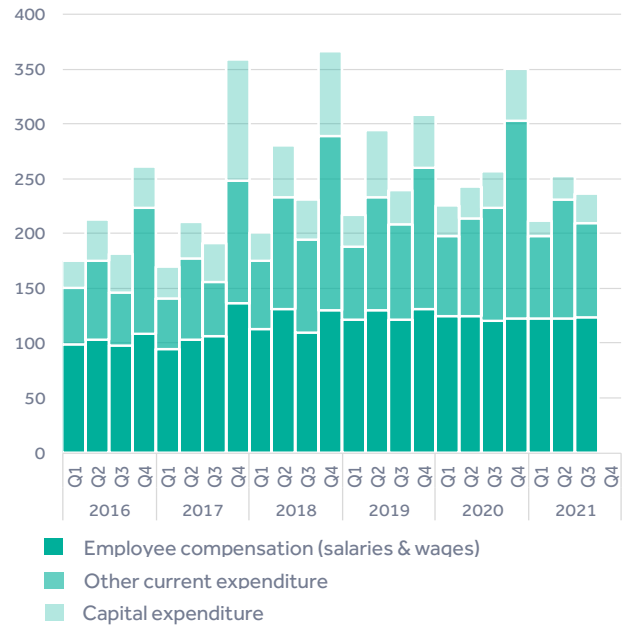
Quarterly Fiscal Balance and Outstanding Government Debt

Figure 1:
Quarterly Fiscal Revenues (in bln SAR)



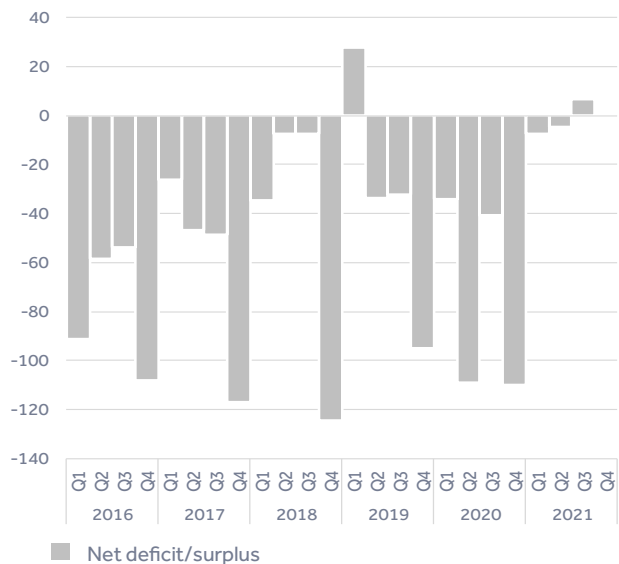
source: MoF

Figure 2:
Quarterly Fiscal Expenditure (in bln SAR)



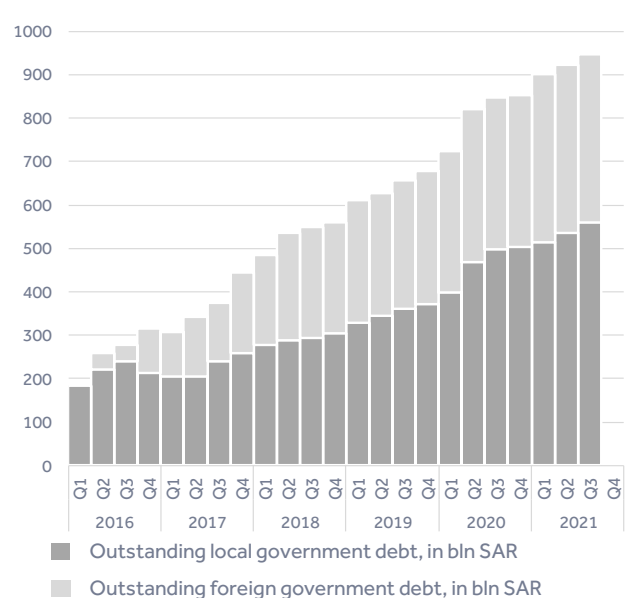
source: MoF

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



source: MoF

Figure 4:
Outstanding Government Debt (End of Quarter)



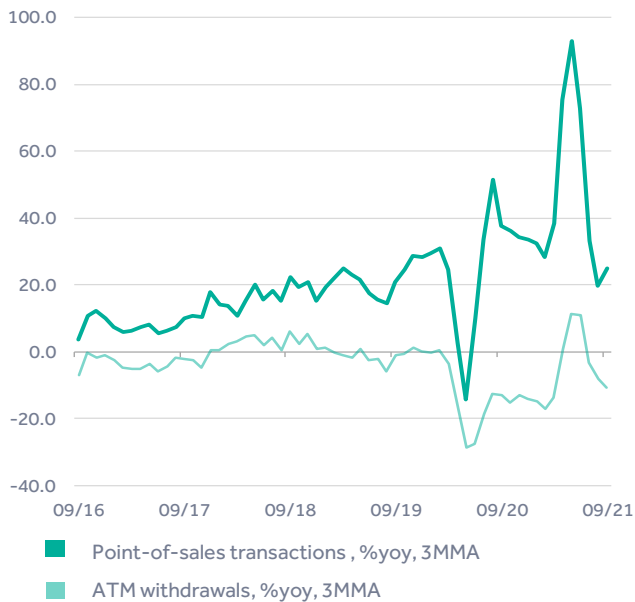
source: MoF

The notable increment of government bank accounts in 2021 can be explained by the substantially improved fiscal balance. After nine months, the cumulative deficit constitutes a small -5.4bln SAR due

to significantly higher revenues and contained expenditure versus last year. Meanwhile, the government continued to borrow with net debt increasing by 95 bln SAR since the beginning of the year.

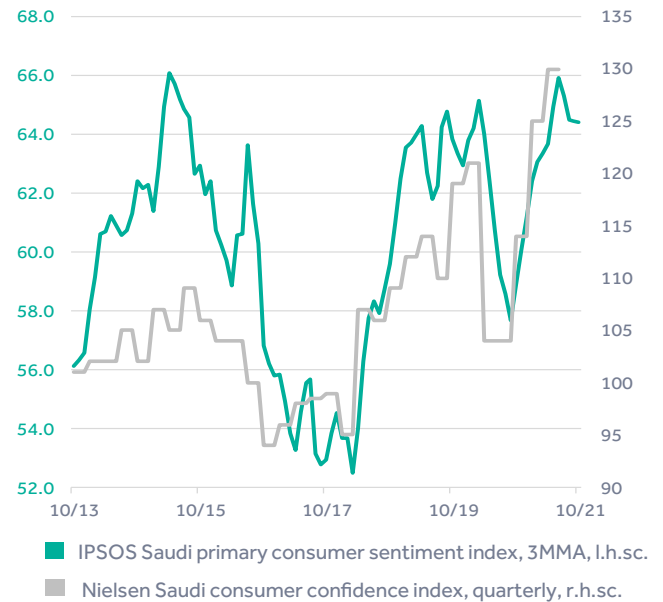
Private Spending Indicators

Figure 1:
Private Spending Indicators



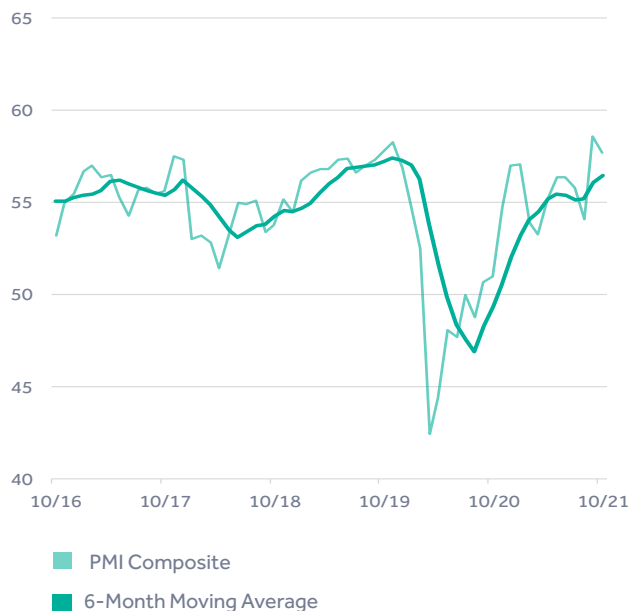
source: SAMA

Figure 2:
Consumer Sentiment Indicators



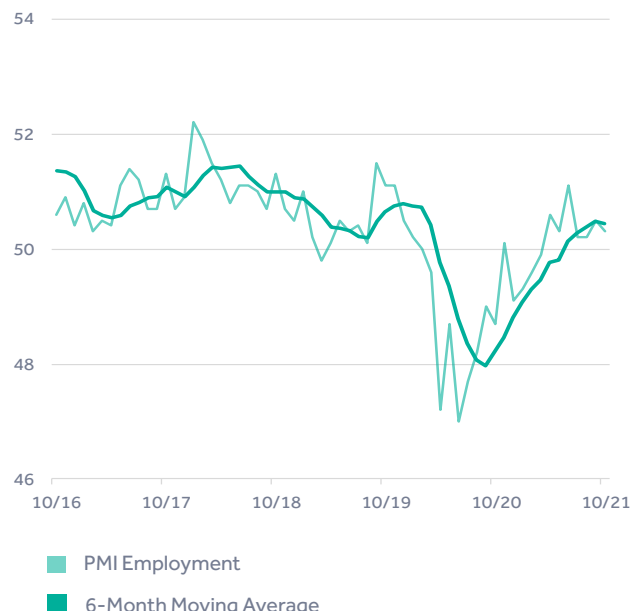
source: Refinitiv, Nielsen

Figure 3:
Purchasing Manager Index Composite



source: IHS Markit

Figure 4:
Purchasing Manager Index Employment



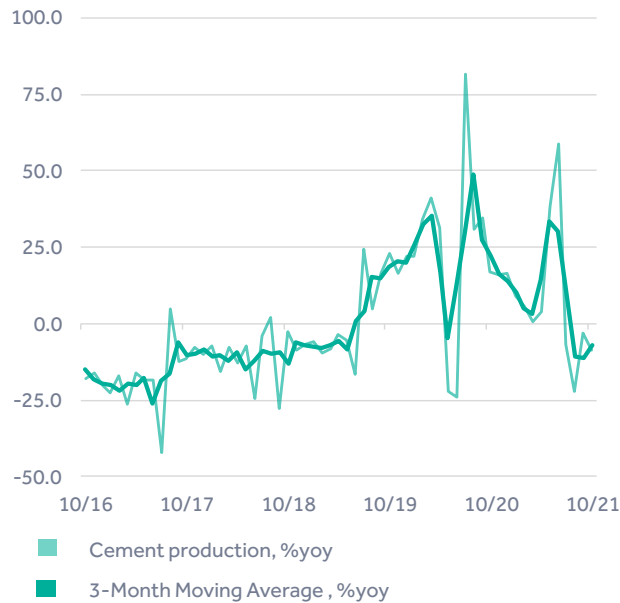
source: IHS Markit

Indicators of private consumption witnessed a slowdown in Q3 2021 albeit consumer confidence remaining at elevated levels. Meanwhile, business climate of the non-oil economy picked up in Q3

2021 with the Purchasing Manager Index (PMI) Composite reaching a multi-year high in September. The PMI Employment index signals favourable labour market conditions with values above 50 since April.

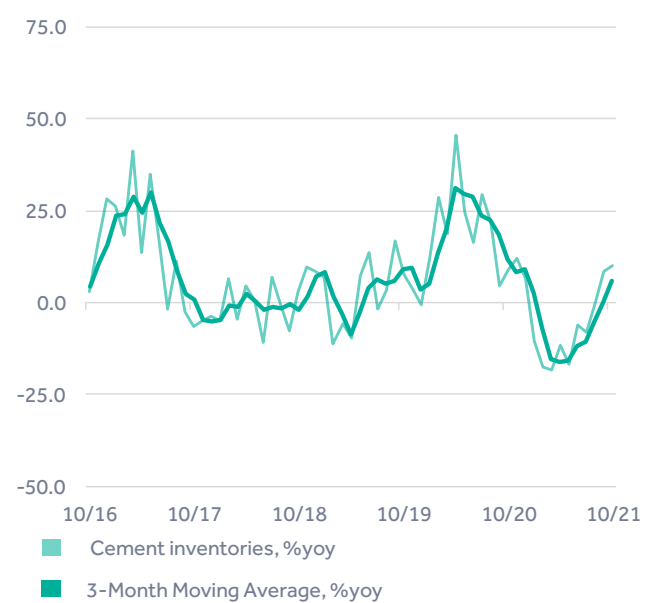
Cement Sector and Non-oil Exports and Imports

Figure 1:
Cement Production



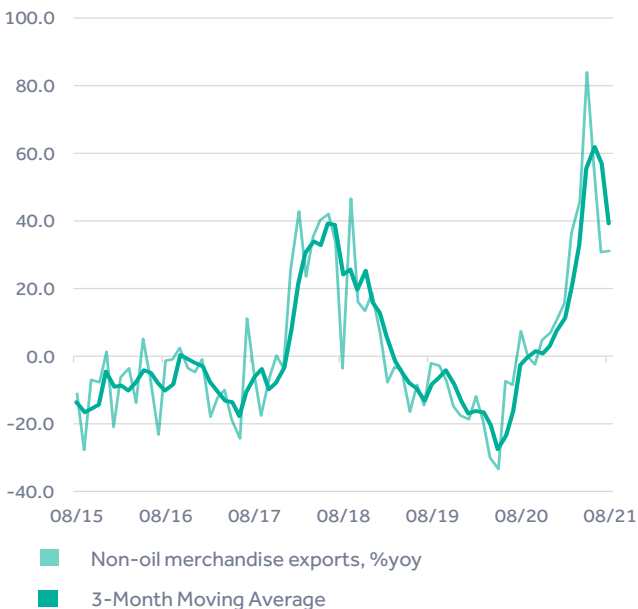
source: Yamama Cement

Figure 2:
Cement Inventories



source: Yamama Cement

Figure 3:
Non-Oil Merchandise Exports



source: GASTAT

Figure 4:
Merchandise Imports



source: GASTAT

Cement production growth has turned negative since midyear with inventories increasing again yoy. Meanwhile, non-oil merchandise export growth has gradually faltered in Q3 2021 but remains at elevat-

ed levels after a peak expansion at 84.1%yoy in May. Merchandise import growth is still strong with the latest reading of 23.6%yoy in August. This observation points towards still strong domestic demand.

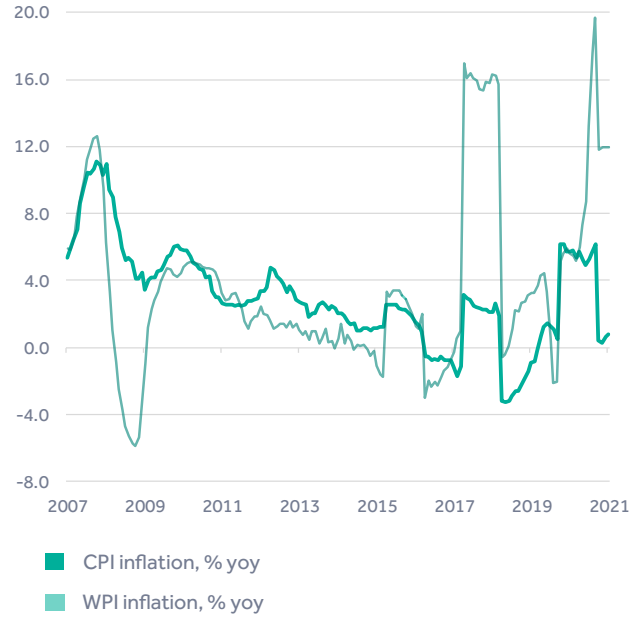
Consumer and Wholesale Price Inflation

Figure 1:
Consumer Price Inflation All Items



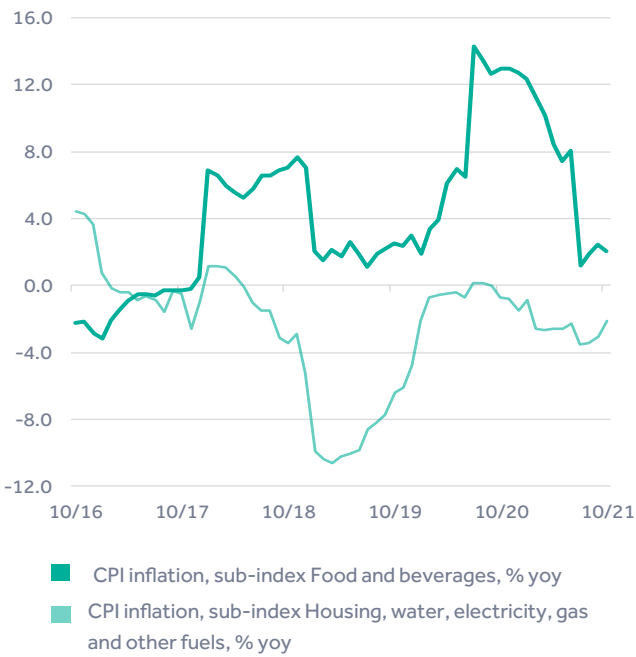
source: GASTAT

Figure 2:
Consumer Price and Wholesale Price Inflation



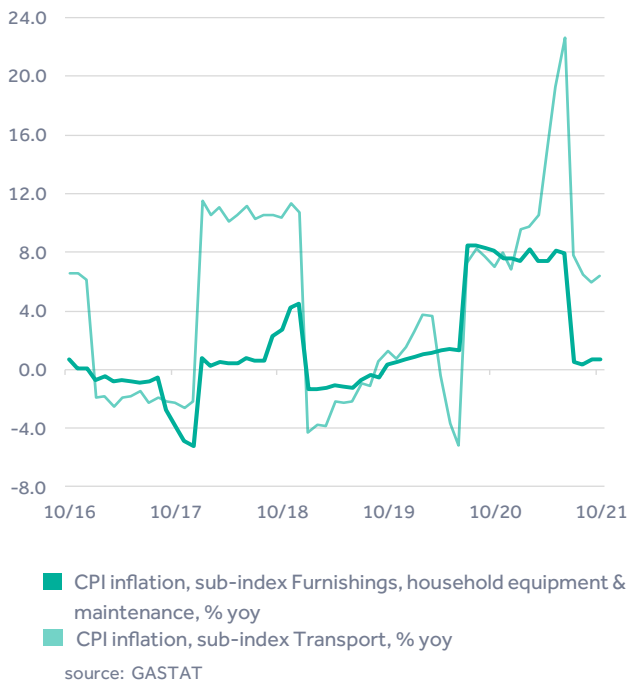
source: GASTAT

Figure 3:
CPI Inflation Food & Housing



source: GASTAT

Figure 4:
CPI Inflation Furnishings & Transportation



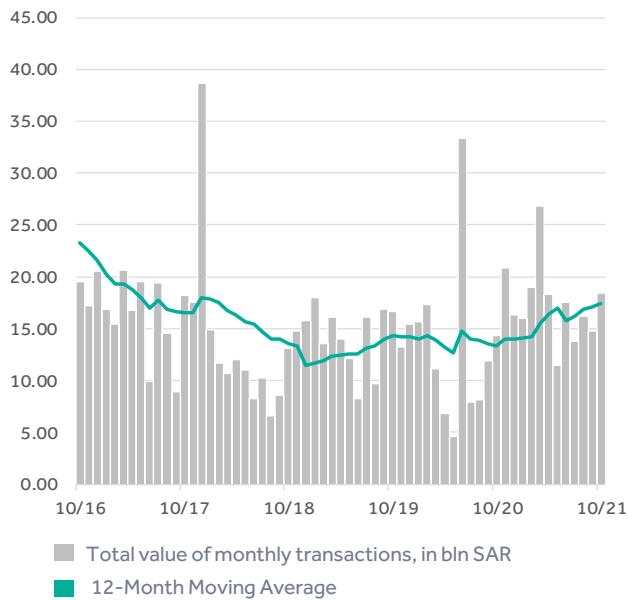
source: GASTAT

During 2021, CPI inflation has largely been influenced by the VAT rate hike in July 2020, falling out of the calculation period one year later. Inflation dropped to a low of 0.4% in July, but has picked up

to 0.8% in October. Amongst the major CPI categories, transportation still shows the strongest inflation with 6.4% in October, while the Housing sub-index inflation continues to be in negative territory.

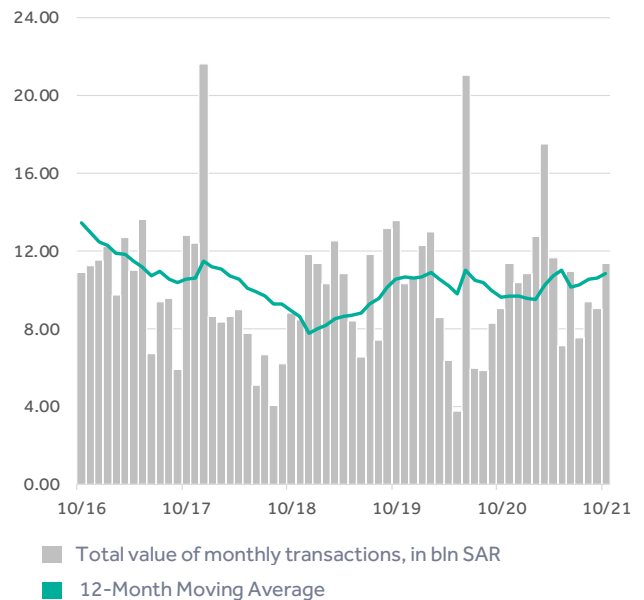
Real Estate Market: Transaction Activity

Figure 1:
Monthly Real Estate Transactions Overall Country



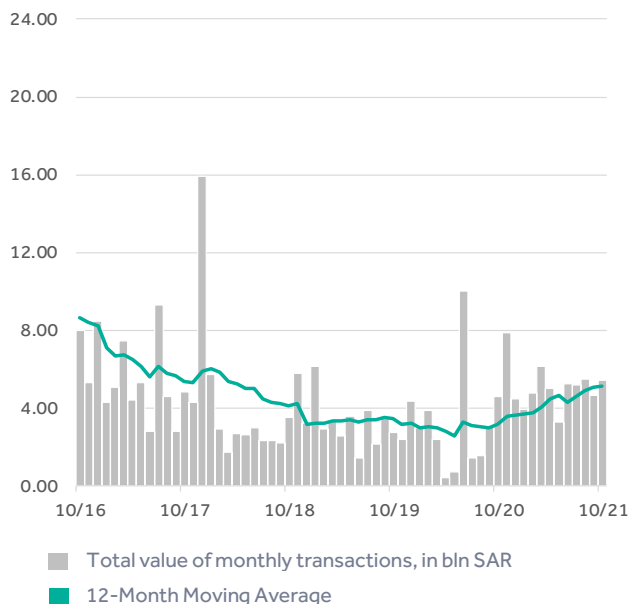
source: MOJ, RC

Figure 2:
Monthly Residential Real Estate Transactions



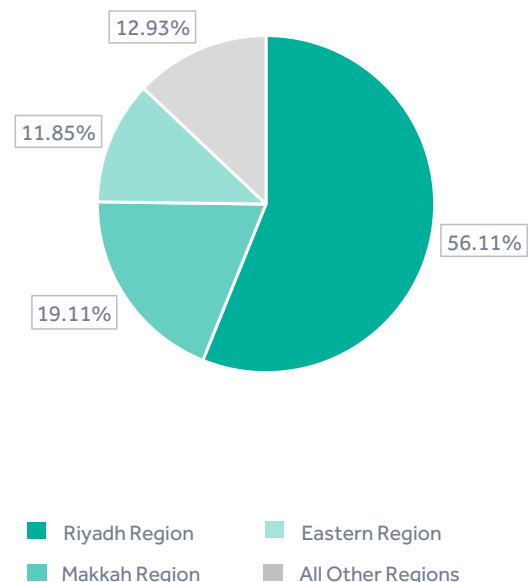
source: MOJ, RC

Figure 3:
Monthly Commercial Real Estate Transactions



source: MOJ, RC

Figure 4:
Breakdown of Transaction Value by Regions (Q3 2021)



source: MOJ, RC

Throughout the year 2021, real estate transaction activity generally picked-up on a year-on-year basis. This has been most pronounced in commercial real estate transactions where the 12M average

jumped by 71% since October 2020. Residential transaction activity increased by a more moderate 13% over the same period. This translates into an overall real estate transaction growth rate of 31%.

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



Real estate prices generally consolidated in Q3 2021 with the residential price index expanding by a moderate 1.0% to the previous year and the commercial index gradually easing by -0.7%. This reflects in the

first place the trend in land prices which constitute more than 90% of the real estate indices while residential villa and apartment prices declined by -4.9% resp. -2.8% over the same period.

Oil Market Statistics: Production, Exports, Refinery and Prices

Figure 1:
Saudi Crude Oil Production and Exports

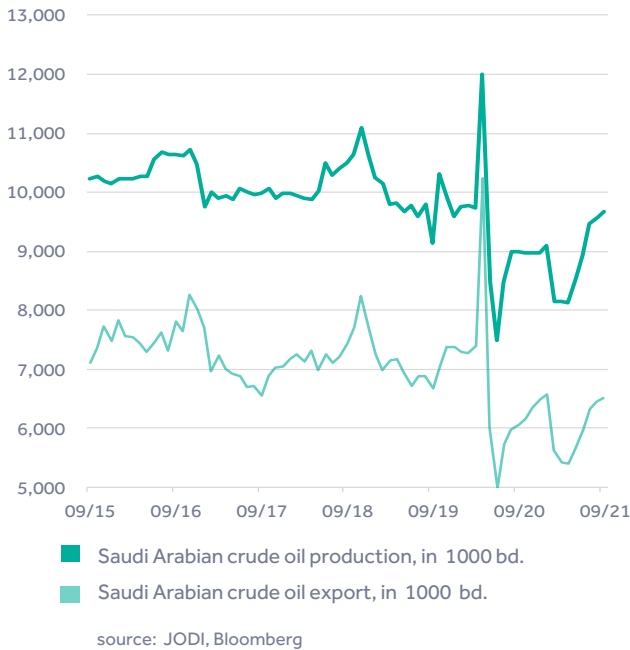


Figure 2:
Saudi Crude Refinery Output and Exports

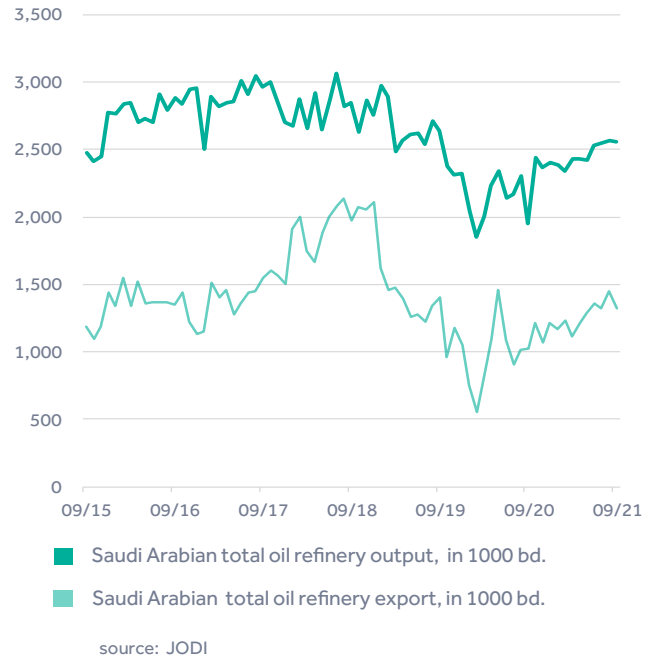


Figure 3:
OPEC Crude Output



Figure 4:
Oil Prices

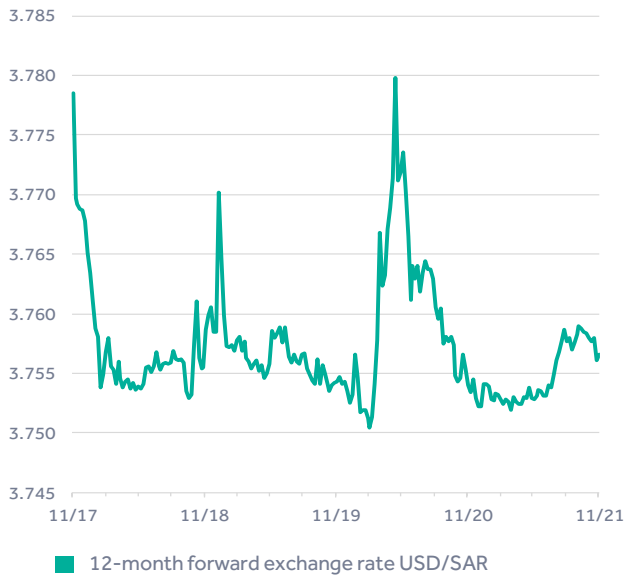


Saudi Arabia increased its crude production from 8.1 mbd in April to 9.6 mbd in September and according to secondary sources to 9.8 mbd in October. Overall OPEC crude output climbed from 25.2 mbd in

April to 27.5 mbd in October according to secondary sources. Despite this OPEC output expansion, oil prices continued to rise, thereby still indicating a notable supply shortage on global oil markets.

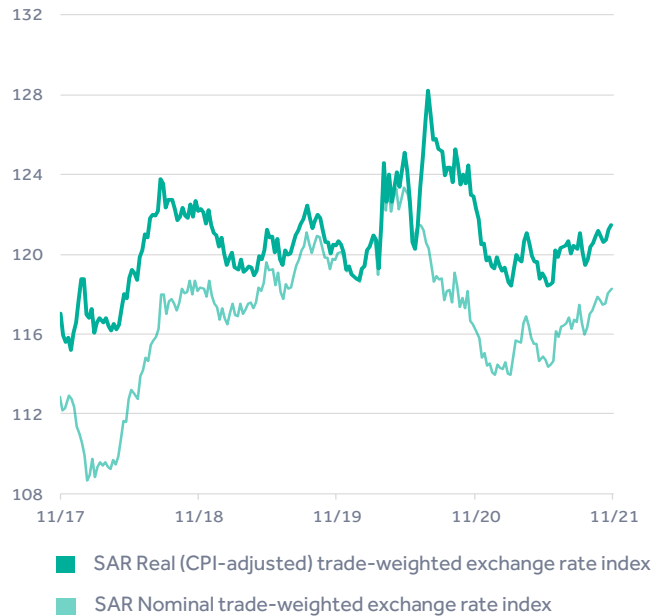
Foreign Exchange and KSA Credit Spread

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



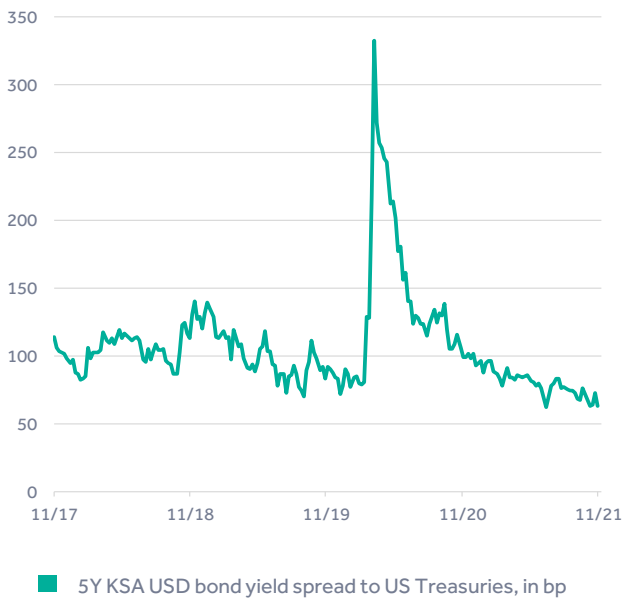
source: Bloomberg

Figure 2:
SAR Nominal and Real Effective Exchange Rate



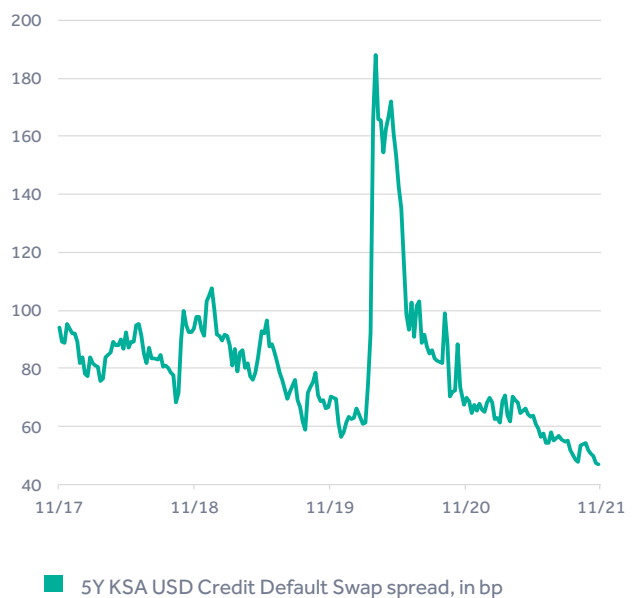
source: Bloomberg, JP Morgan

Figure 3:
KSA USD Bond Yield Spread to US Treasuries



source: Bloomberg

Figure 4:
KSA CDS Spread



source: Bloomberg,

After having widened at the beginning of Q3 2021 by more than 50 pips, the 12M USD/SAR forward premium gradually narrowed again since mid-September. Credit spreads and CDS spreads for

KSA continued to decline in H2 2021. Since the beginning of the year, the USD 5Y bond yield spread to US treasuries diminished by more than 30 bp, while the KSA 5Y CDS spread narrowed by 20 bp.

Short-term, Long-term and Official Interest Rates

Figure 1:
3-Months SAIBOR vs. USD LIBOR

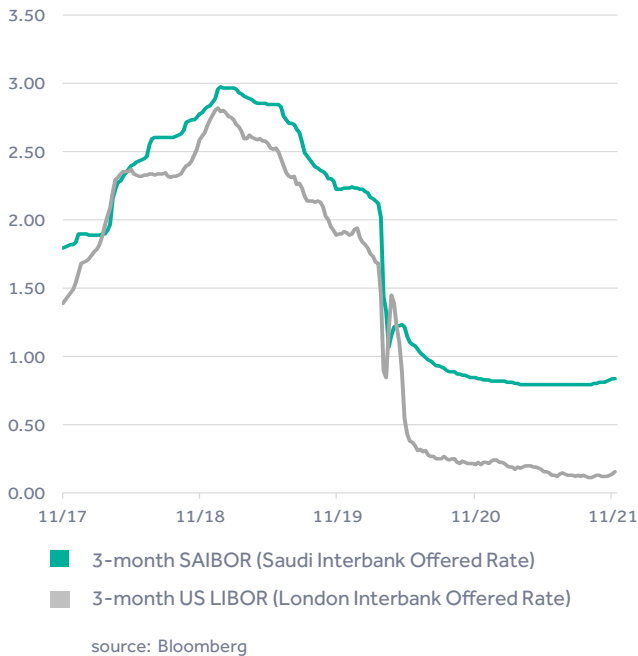


Figure 2:
5-Year Swap Rate SAR vs. USD

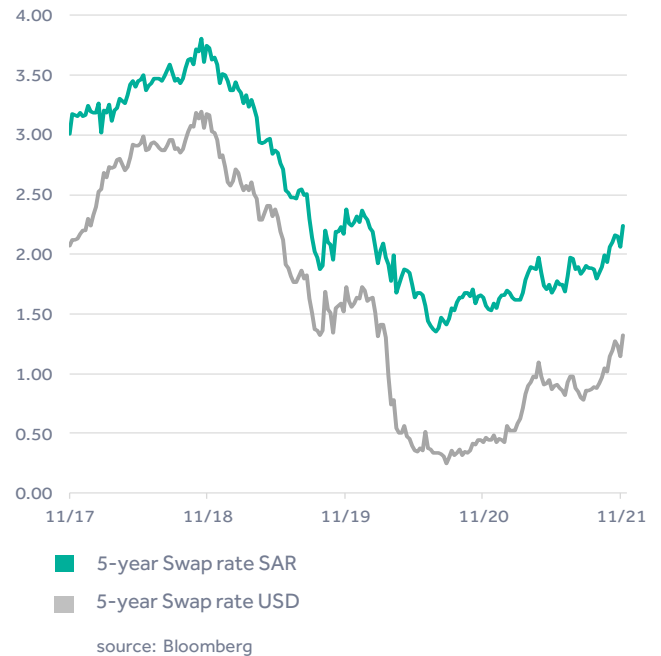
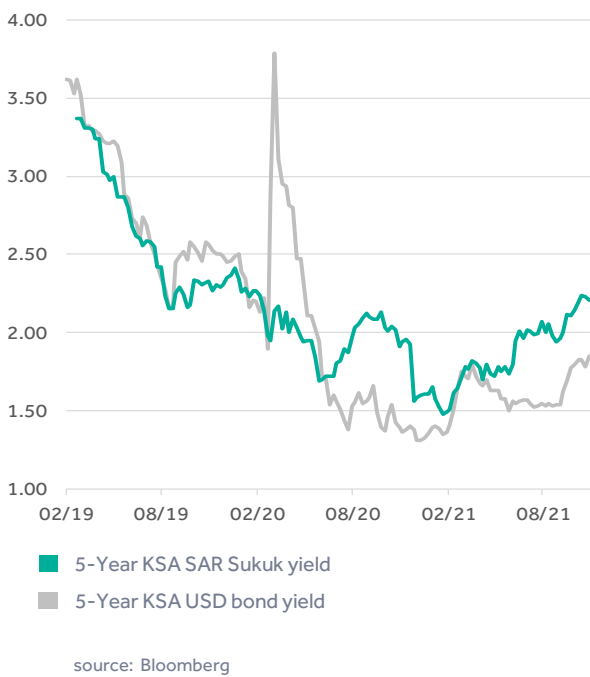
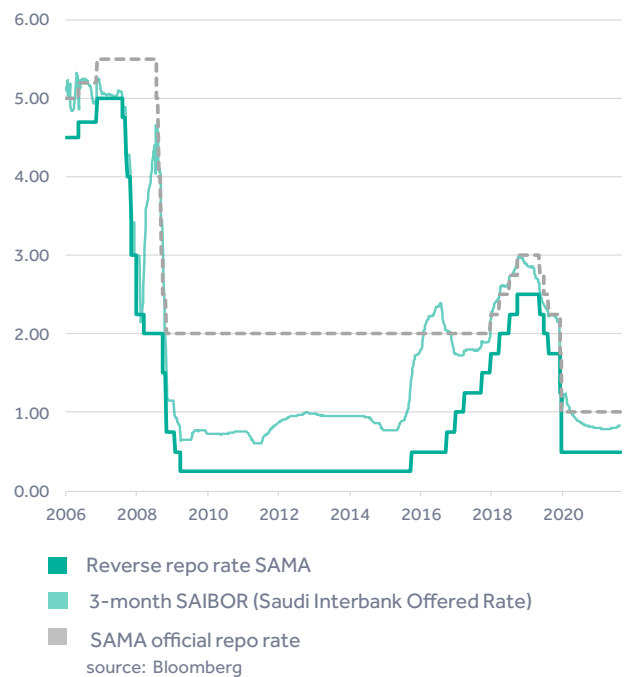


Figure 3:
5-Year KSA SAR Sukuk vs. USD Bond Yield



3M SAIBOR has climbed from 0.79% to 0.84% since June, primarily as a result of reduced liquidity in the domestic market. A more pronounced yield pick-up could be observed at the longer end of the yield

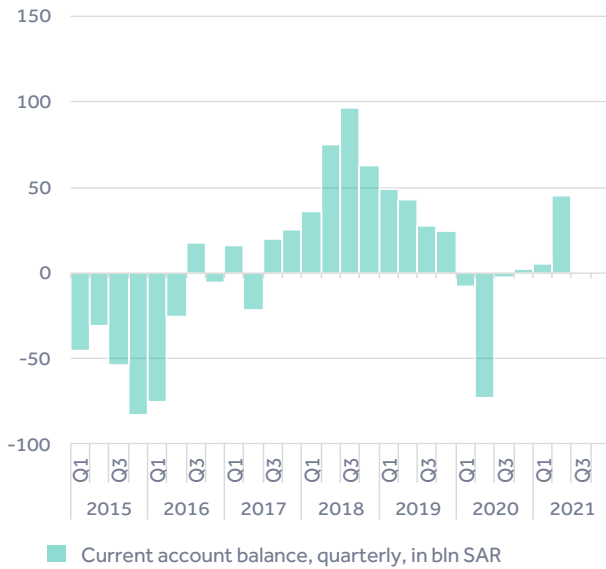
Figure 4:
Central Bank Rate and 3-Months SAIBOR



curve. 5Y Swap rates in SAR resp. in USD jumped by 55bp resp. 50bp since mid-June. 5Y KSA SAR Sukuk rate climbed by 48bp, while 5Y KSA USD bond yield rose by 35bp over the same time period.

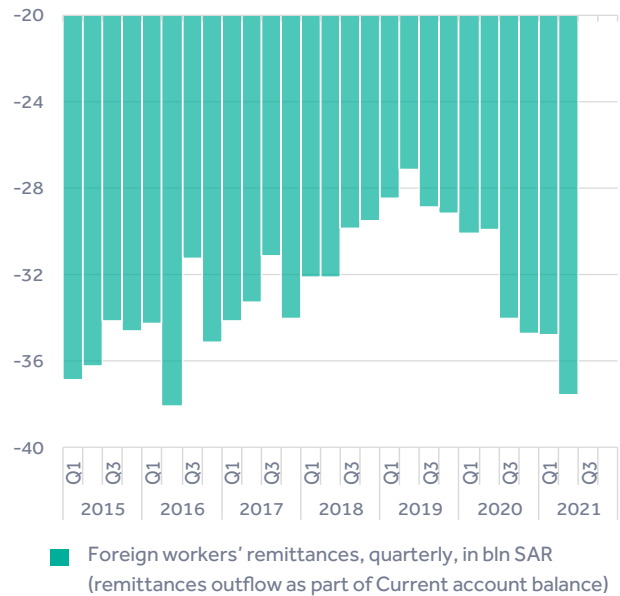
Saudi Balance of Payments

Figure 1:
Current Account Balance



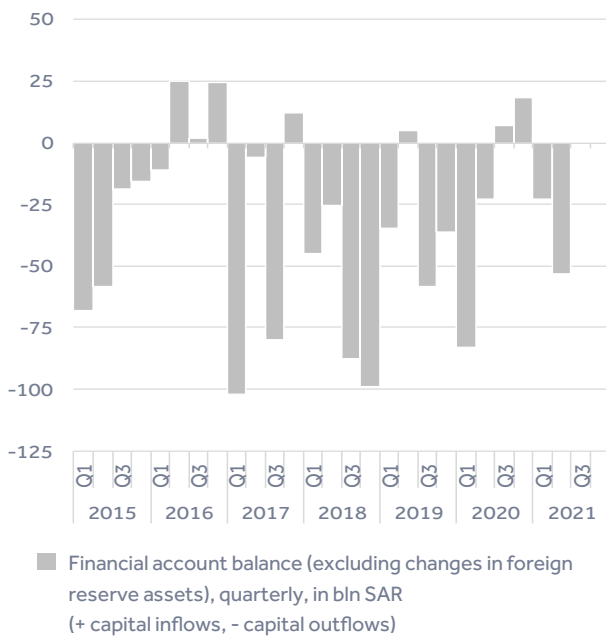
source: SAMA

Figure 2:
Foreign Workers' Remittances



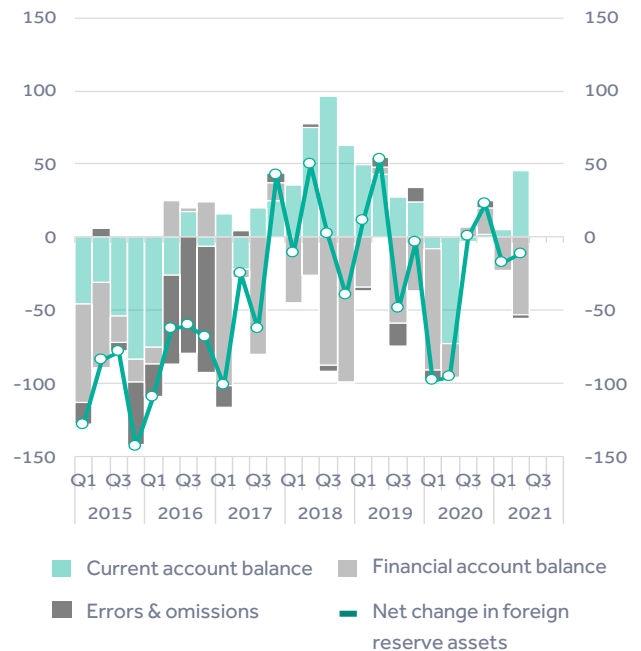
source: SAMA

Figure 3:
Financial Account Balance



source: SAMA

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



source: SAMA

On the back of the global economic recovery and higher oil prices, the Saudi current account balance substantially improved since its trough in Q2 2020. In Q2 2021, the current account balance recorded a

surplus of 45 bln SAR. At the same time, the private financial account balance showed a deficit of 53 bln SAR which overall caused SAMA official foreign reserve assets to gradually decline in Q2 2021.

Tadawul: Saudi Equity Market Statistics

Figure 1:
Tadawul All-Share Index



Figure 2:
Tadawul Average Daily Traded Value

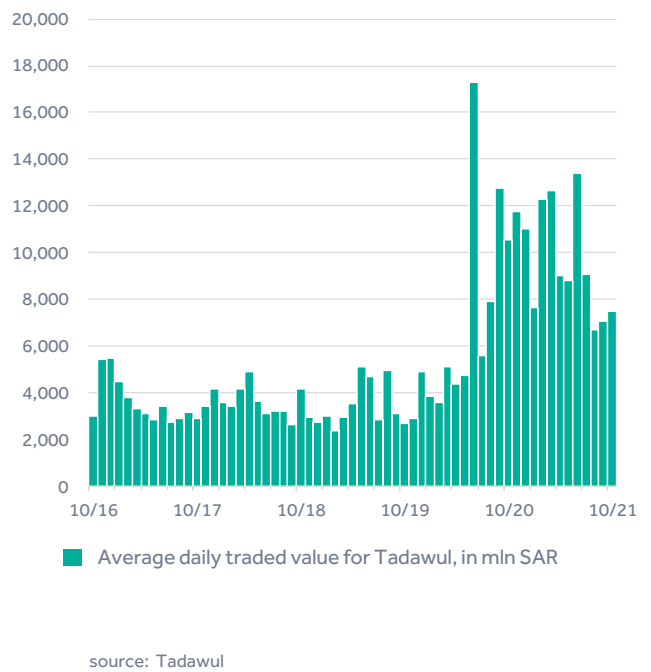


Figure 3:
Monthly Net Purchase by Ownership (in bln SAR)

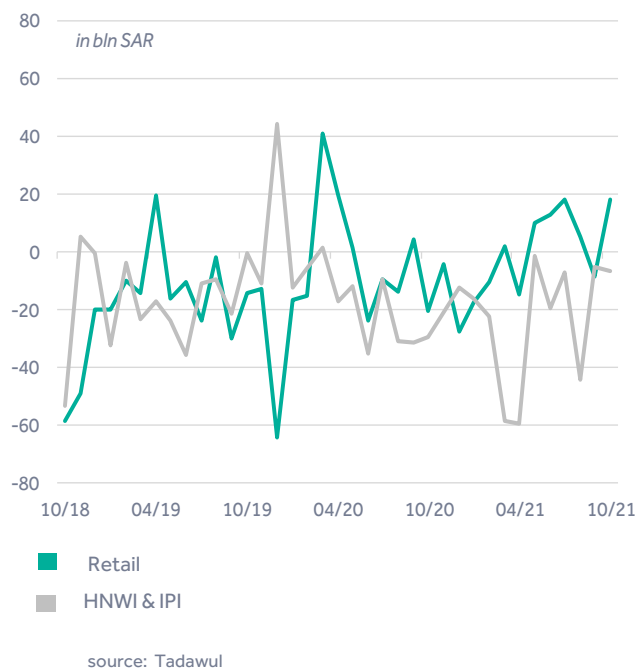
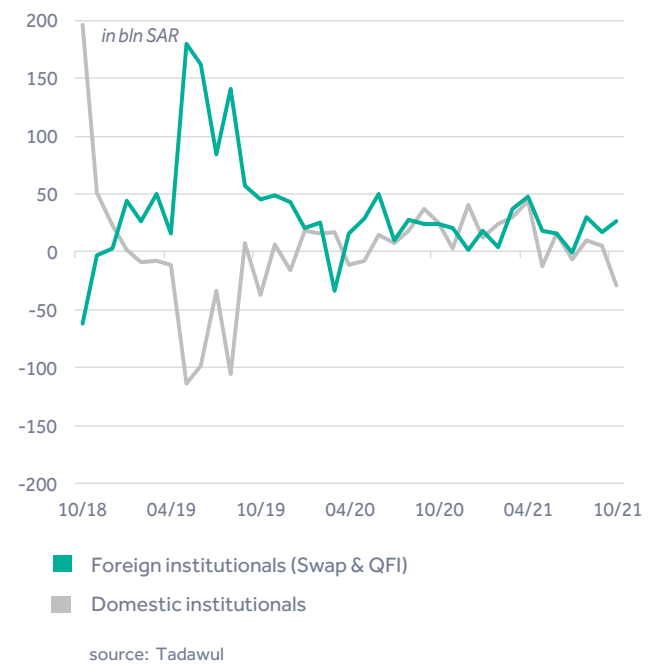


Figure 4:
Monthly Net Purchase by Ownership (in bln SAR)

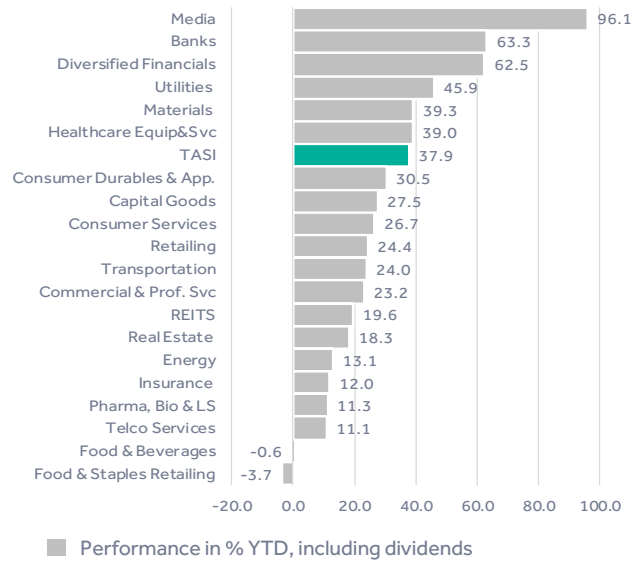


The Saudi equity market continued its impressive rally in H2 2021 with TASI reaching almost 12'000 in October - a level last seen back in 2006. Turnover gradually fell in the last three months with ADTV

stabilizing around 7.0 bln SAR after having reached a peak of 13.4bln SAR in the month of June. Foreign institutional investors and domestic retail investors were the primary net buyers since mid-year.

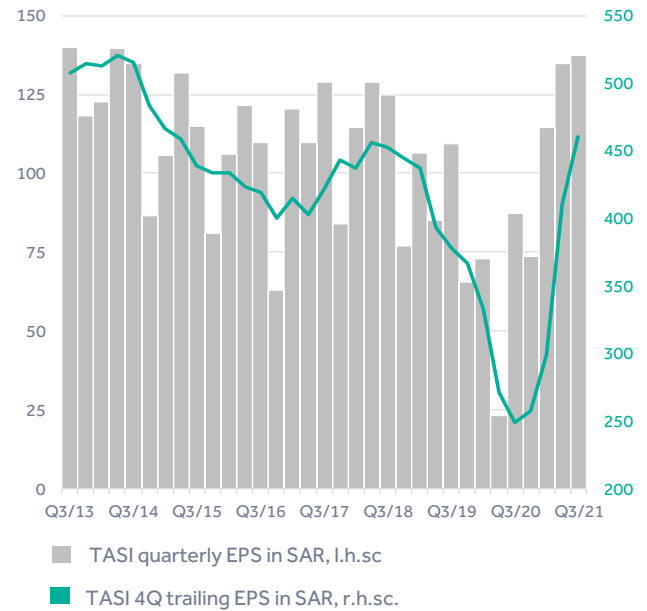
Tadawul: Saudi Equity Market Statistics

Figure 1:
Performance TASI Sectors October 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

Saudi listed companies witnessed a massive earnings recovery in the last 12 months. 4Q trailing EPS for TASI jumped from a low at 249 SAR in Q3 2020 to 461 SAR in Q3 2021 which represents a stunning

growth rate of 85%. As a result, valuation metrics started to normalize despite the strong market rally during this period. 12M trailing PE-ratio fell from 37.5 in March of this year to 25.7 in November.

Saudi Economic Outlook

In the year 2022, the Saudi economy will be largely driven by a strong rebound of the oil sector. After three years of negative growth contribution in a row, the oil sector economy is expected to expand by 10.1% in 2022.

This scenario is based on the assumption that Saudi Arabia will expand its oil production to pre-COVID-crisis levels in the course of next year. For the full year 2022, we forecast crude oil output to average at 10.1 mbd.

Based on the latest data release, we have upgraded our forecast for the non-oil private sector economy. For the current year, we now expect a growth rate of 5.4%, while for next year, growth will gradually moderate to a still solid 4.1%.

For the overall economy, these projections translate into a growth rate of 2.2% for 2021 and 6.0% in 2022. We, therefore, forecast the Saudi economy to reach a growth level in 2022 not seen since 2011.

We expect global oil markets to ultimately rebalance next year and forecast oil prices to settle in a range between 70-80 USD in the course of 2022.

Based on this scenario, we project substantially higher fiscal oil revenues in 2021 and particularly in 2022. As a consequence, the fiscal deficit is forecasted to materially shrink to -1.8% of GDP in 2021. For 2022, we forecast even a budget surplus of 1.1% of GDP.

Significantly higher oil export revenues will also lead to a substantial surplus in the current account balance. For 2021, we forecast this surplus to be in the order of 5.5% of GDP, for 2022 to further improve to 8.1% of GDP.

CPI inflation has gradually picked up to 0.8% in October after a low of 0.4% in July. From a medium-term perspective, we project a further acceleration and expect inflation to average at 1.9% in 2022.

In our baseline scenario, we forecast the US Federal Reserve to raise the FED fund target rate once before the end of 2022. We expect SAMA to follow by aligning its repo and reverse repo rate accordingly.

Based on this scenario and with a view on the sustained economic recovery and less ample liquidity in the domestic market, we project 3M SAIBOR to rise to 1.20% by the end of next year.

Facts and Forecasts at a Glance

	2019	2020	2021f	2022f
Real GDP Growth				
Overall economy	0.3	-4.1	2.2	6.0
Non-oil Private sector	3.8	-3.1	5.4	4.1
Government sector	2.2	-0.5	1.6	1.1
Oil sector	-3.6	-6.7	-0.8	10.1
Fiscal Balance and Government Debt				
Fiscal Balance in bln SAR	-133	-294	-54	37
Fiscal Balance in % GDP	-4.5	-11.2	-1.8	1.1
Government debt in bln SAR	678	854	904	886
Government debt as % GDP	22.8	34.3	29.7	26.9
Trade and Current Account Balance				
Trade Balance in bln SAR	455	180	459	590
Trade Balance in % GDP	15.3	6.9	15.1	17.9
Current Account in bln SAR	143	-74	158	266
Current Account in % GDP	4.8	-2.8	5.2	8.1

source: GASTAT, SAMA, RC

	2019	2020	2021f	2022f
Oil Prices and Production (yearly average)				
Brent price (USD pb)	64.1	43.3	70.0	75.0
WTI price (USD pb)	57.0	39.4	67.0	73.0
OPEC Basket price (USD pb)	64.0	41.7	69.0	74.0
KSA oil production (mln bd)	9.8	9.2	9.1	10.1
Inflation and Interest Rates (year end)				
CPI Inflation (yearly average)	-2.09	3.44	3.10	1.90
3M SAIBOR SAR	2.23	0.82	0.80	1.20
Reverse Repo Rate	1.75	0.50	0.50	0.75
Official Repo Rate	2.25	1.00	1.00	1.25
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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