



# Saudi Economic Chartbook

Second Quarter 2021

Hans Peter Huber, PhD  
Chief Investment Officer  
[rcciooffice@riyadcapital.com](mailto:rcciooffice@riyadcapital.com)

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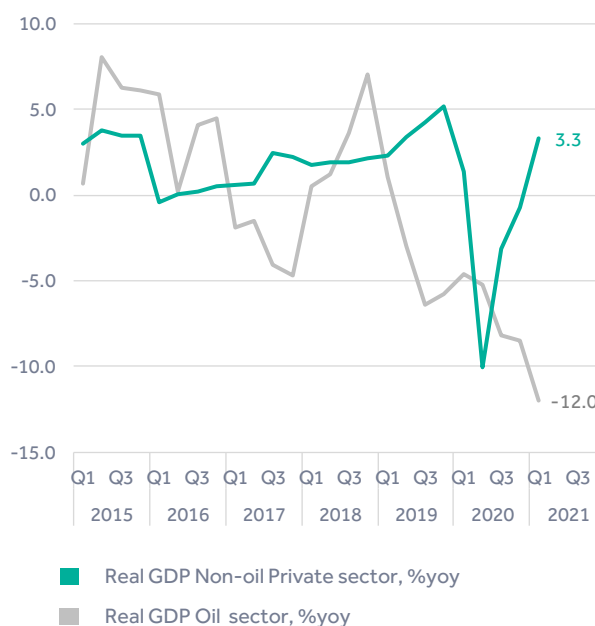
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### Non-Oil Sector Rebound in 2021 - Oil Sector Recovery in 2022

- GDP flash estimates for Q1 2021 show diverging trends between the non-oil economy and the oil sector. While the strong recovery of the non-oil private sector carries over to 2021, the oil sector notably contracts due to a Saudi overcompliance to the OPEC+ output cut agreement (see graphic below).
- High frequency indicators of the non-oil economy, such as the PMI indicators, private consumption proxies and non-oil exports, generally confirm the GDP flash estimate for Q1. We expect this trend to continue and forecast a strong growth rebound of the non-oil private sector for the full year 2021.
- The oil production cuts so far in 2021 and a projected cautious output expansion in the short term will lead to negative oil sector growth in 2021. However, we expect Saudi oil production to reach pre-crisis levels in 2022 which will result in a strong oil sector growth recovery close to 10% in 2022.
- The fiscal deficit has substantially narrowed in Q1 2021. This is primarily the result of considerably higher non-oil revenues due to a sharp increase in VAT tax income on the one hand, and a gradual reduction in overall spending with capital expenditure being most affected on the other hand.
- Latest SAMA data show that the improvement of the Saudi balance of payment in H2 2020 has been the result of the current account balance turning positive again due to higher oil export revenues in Q4 2020, and remarkable surpluses of the financial account balance in the last two quarters of 2020.
- The Saudi equity market has shown a strong rally so far this year with foreign and domestic institutional investors as net buyers. Despite the earnings recovery in Q1 2021, the market is still expensive in valuation terms.

Diverging Oil and Non-Oil Sector Trends



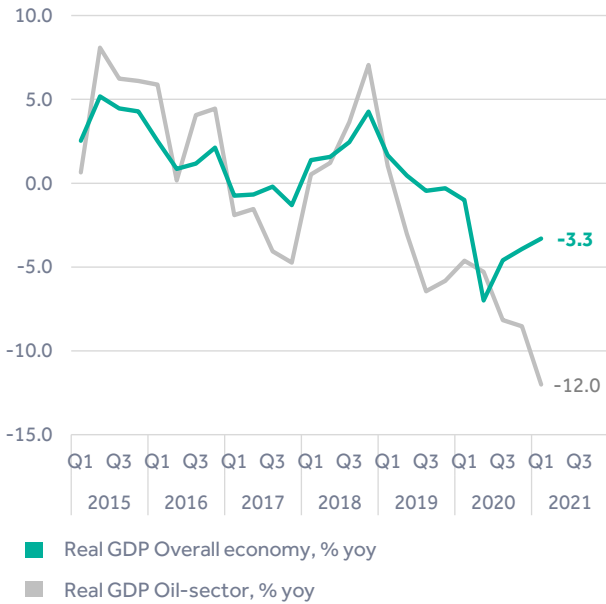
The latest GDP flash estimates show a growing divergence between the non-oil private sector which continues to recover and the oil sector which further drops into negative growth territory as a result of Saudi overcompliance to the OPEC+ output cut agreement.

(Q1 2021 Flash estimate)

source: GASTAT

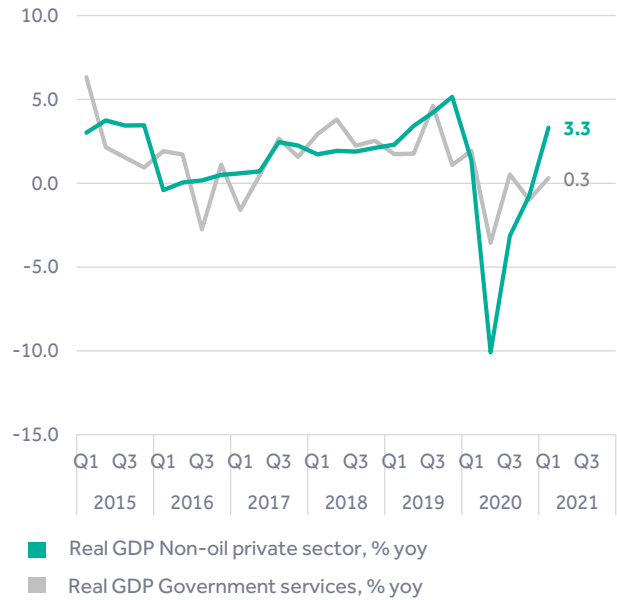
## Gross Domestic Product (GDP) Overall Economy and Institutional Sectors

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



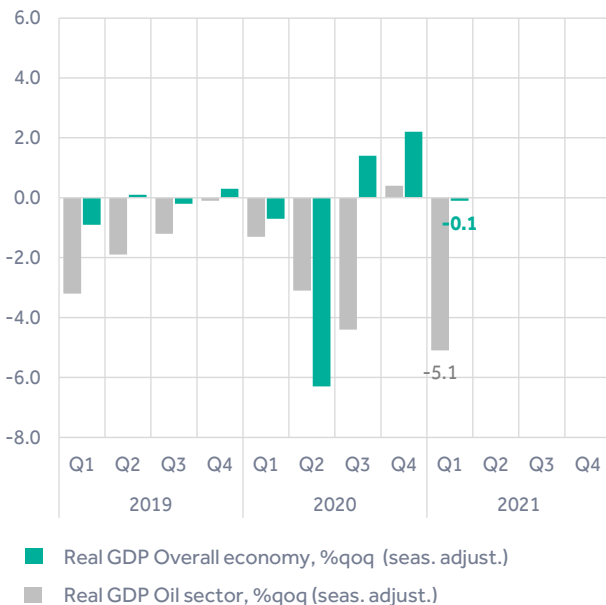
source: GASTAT

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



source: GASTAT

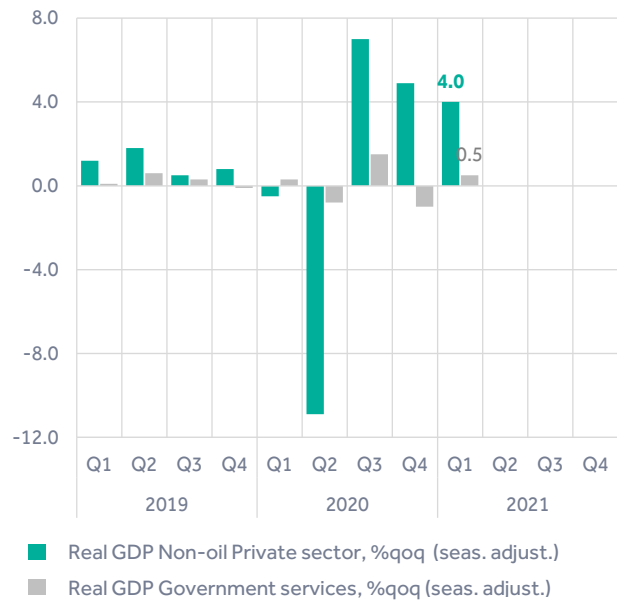
**Figure 3:**  
GDP QoQ: Overall Economy and Oil Sector



source: GASTAT

(Q1 2021 Flash estimate)

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



source: GASTAT

(Q1 2021 Flash estimate)

Flash estimates of Saudi GDP growth for Q1 2021 are largely influenced by the strong contraction of the oil sector as a result of the OPEC+ oil output cut policy. In the first three months, GDP contracted

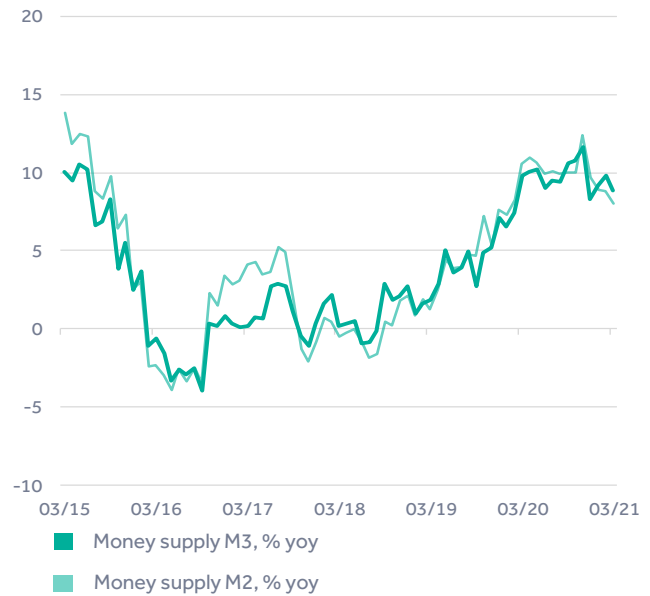
by -3.3% yoy and by -0.1% qoq. Meanwhile, private non-oil activity continued to recover from its trough in Q2 2020 with flash estimates for Q1 2021 showing positive growth rates of 3.3% yoy and 4.0% qoq.

## Monetary Aggregates, Credit and Commercial Banks' Deposits

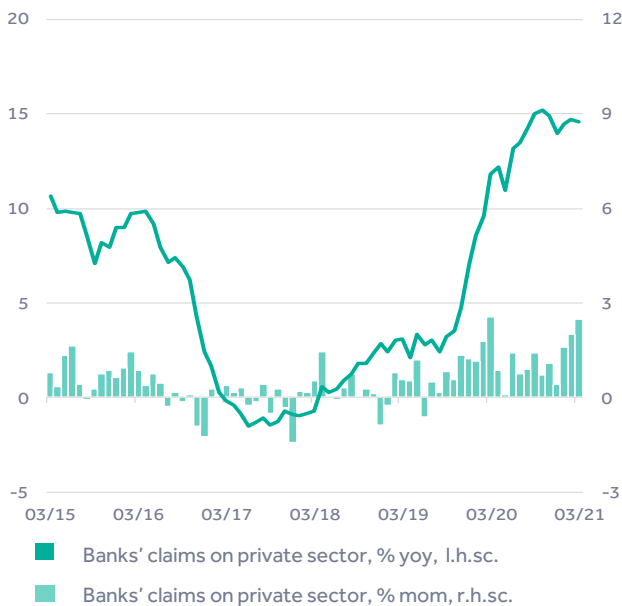
**Figure 1:**  
Growth Rate Monetary Base and Money Supply M1



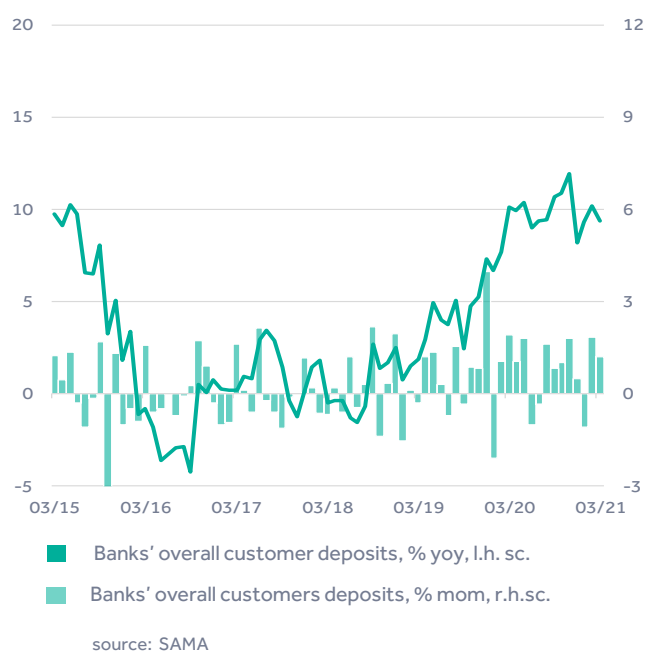
**Figure 2:**  
Growth Rate Money Supply M2 and M3



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



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

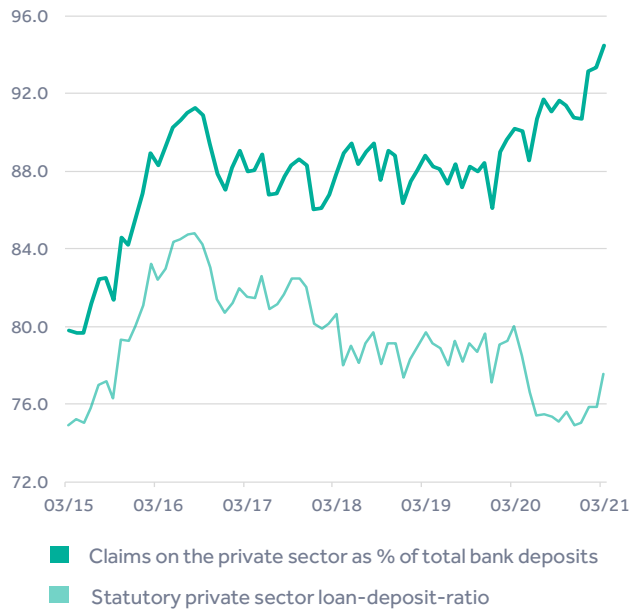


Growth of the monetary base declined from December to March from 8.6%yoy to 4.2%yoy as the demand for cash (currency in circulation) notably diminished due to an increase in cashless payments

over the last 12 months. Credit to the private sector has accelerated on a month-over-month basis since December while banks' customer deposits have most recently grown at a slower pace.

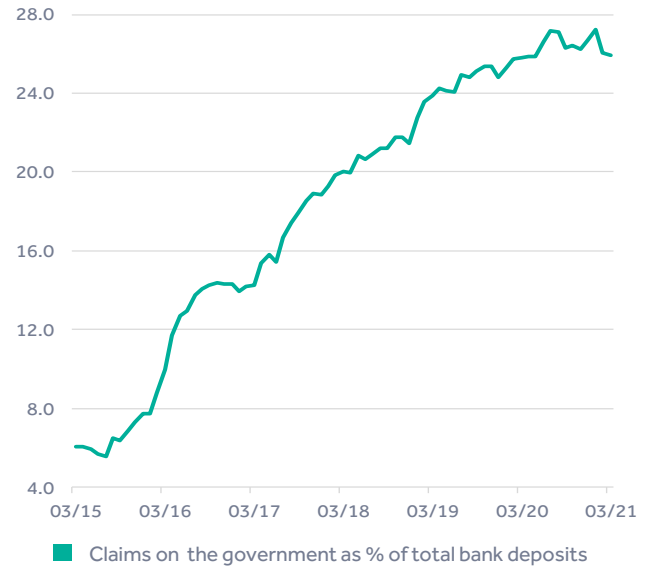
## Commercial Banks Key Ratios

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



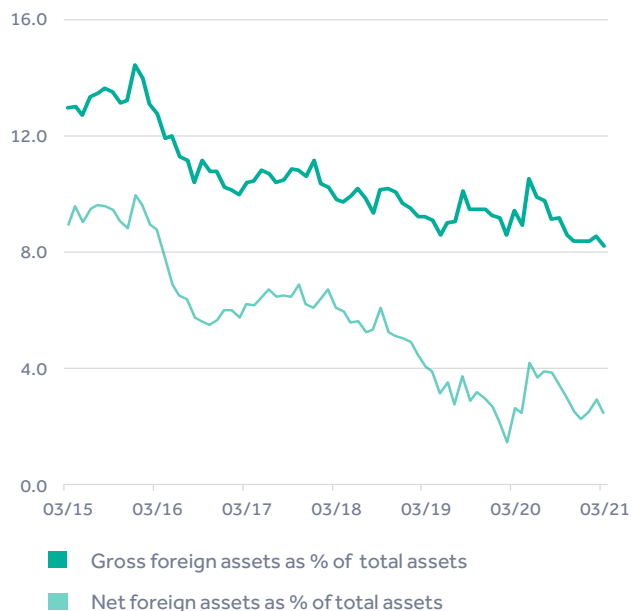
source: SAMA

**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



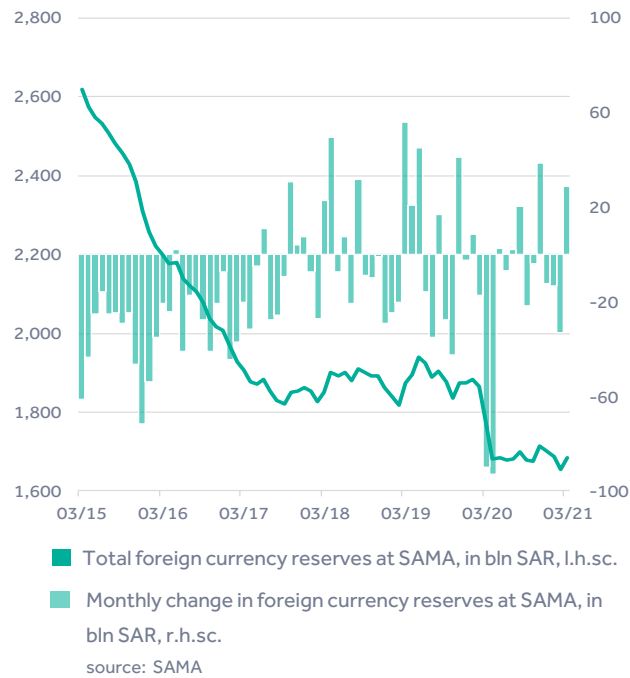
source: SAMA

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 most recently. This indicates grad-

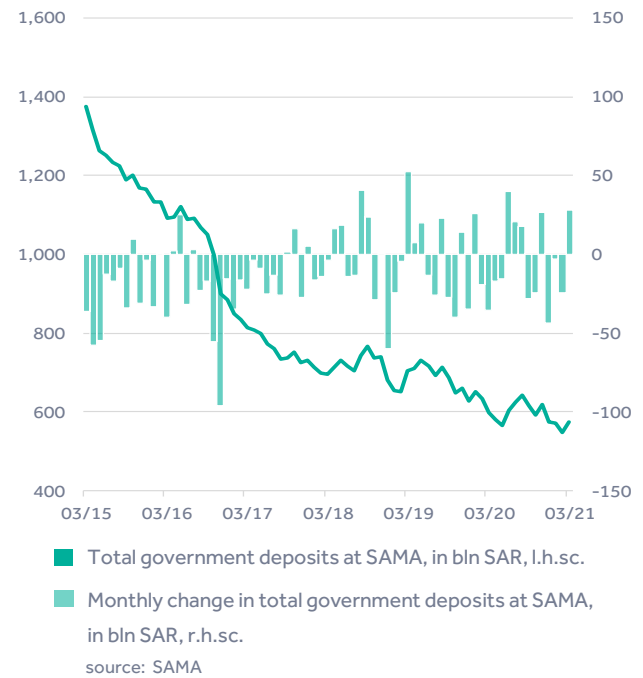
ually less ample liquidity in the banking sector in Spring 2021. This observation is confirmed by the decline of the banks' excess liquidity to total assets ratio from 21.3% in December to 19.3% in March.

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

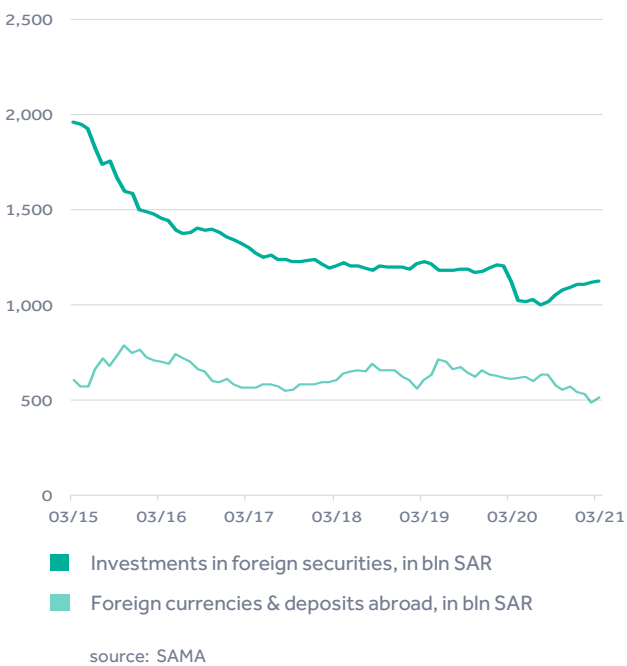
**Figure 1:**  
Foreign Currency Reserves at SAMA



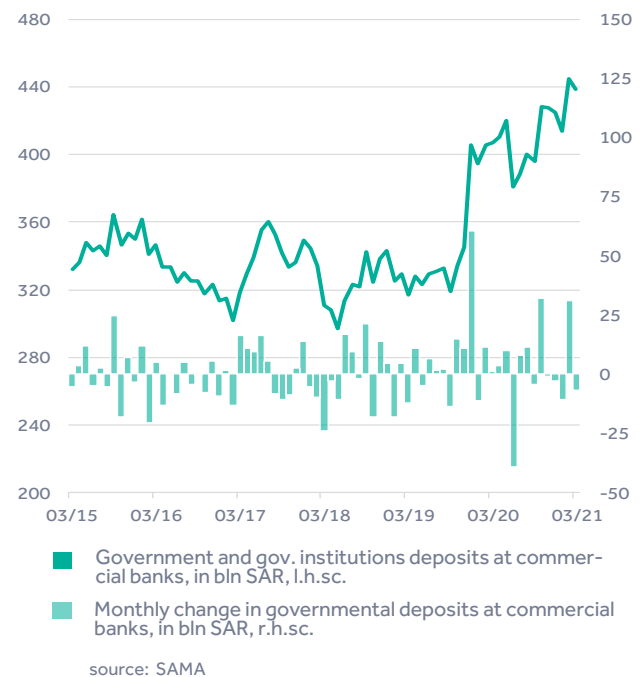
**Figure 2:**  
Government Deposits at SAMA



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



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

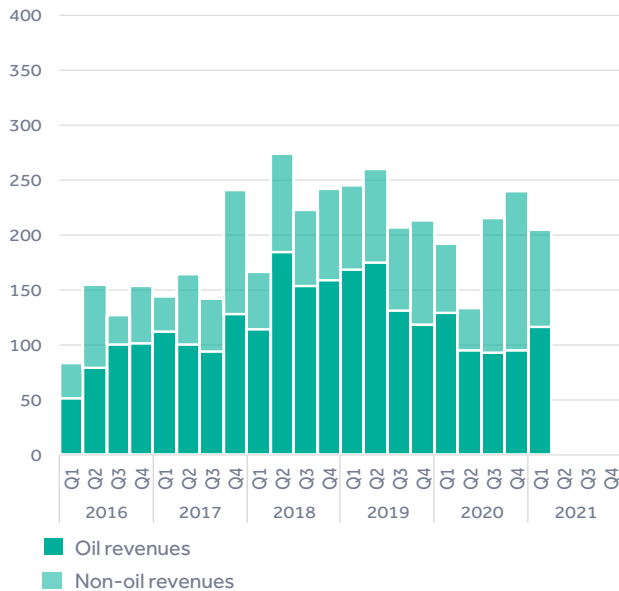


Since the transfer of 150bln SAR to PIF in Spring 2020, SAMA official foreign currency reserves have stabilized around 1680bln SAR. Government deposits at SAMA are unchanged in Q1 2021 while public

sector deposits at commercial banks increased by 13 bln SAR over this period. This illustrates the solid fiscal stance in Q1 with public borrowing activity outpacing the marginal fiscal deficit.

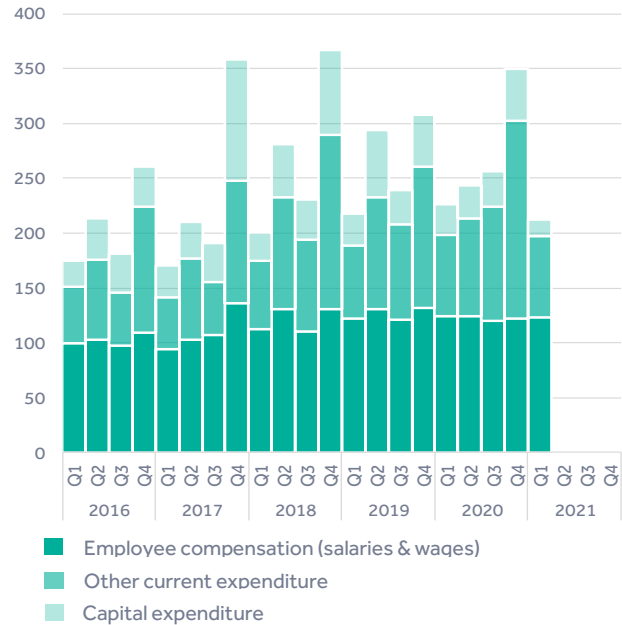
## Quarterly Fiscal Balance and Outstanding Government Debt

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



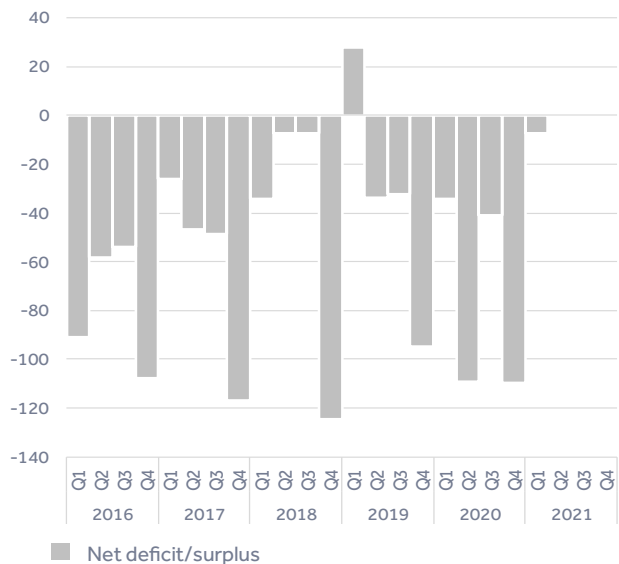
source: MoF

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



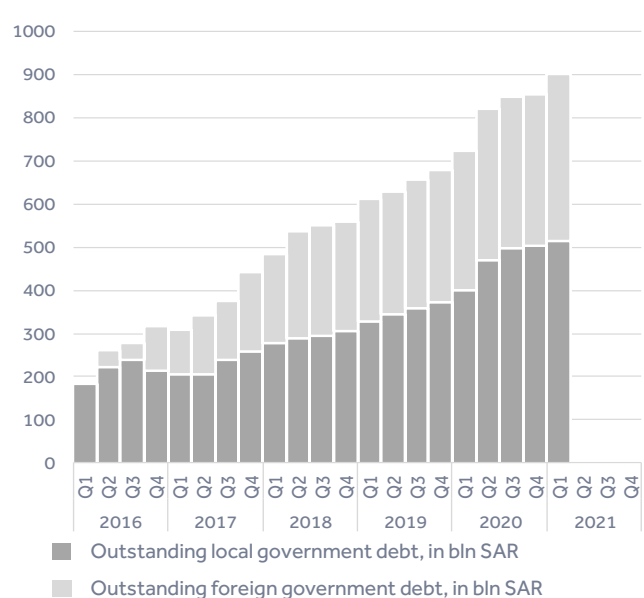
source: MoF

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



source: MoF

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



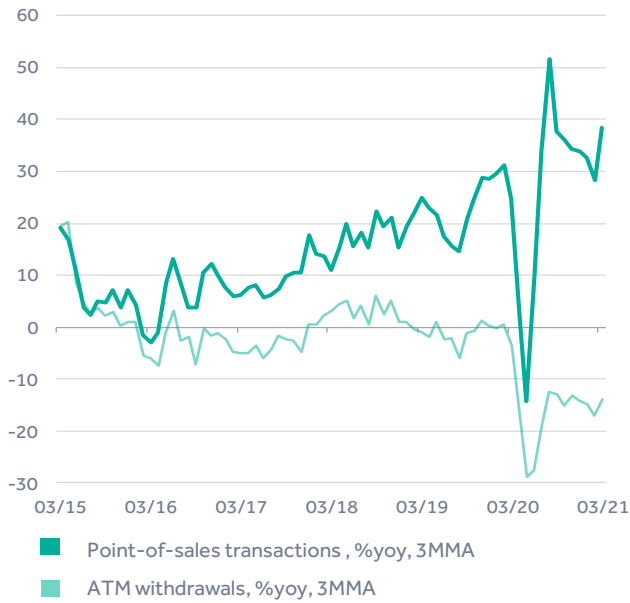
source: MoF

In Q1 2021, the fiscal deficit shrunk to 7.4 bln SAR. On the revenues side, oil income came in -9% below Q1 2020, while non-oil revenues were 39% higher than last year, primarily due to substantially higher

VAT tax income. Expenditure turned out to be -6% lower than last year, essentially due to notably lower capital spending. Net new borrowing of 48bln SAR clearly exceeded the deficit in Q1 2021.

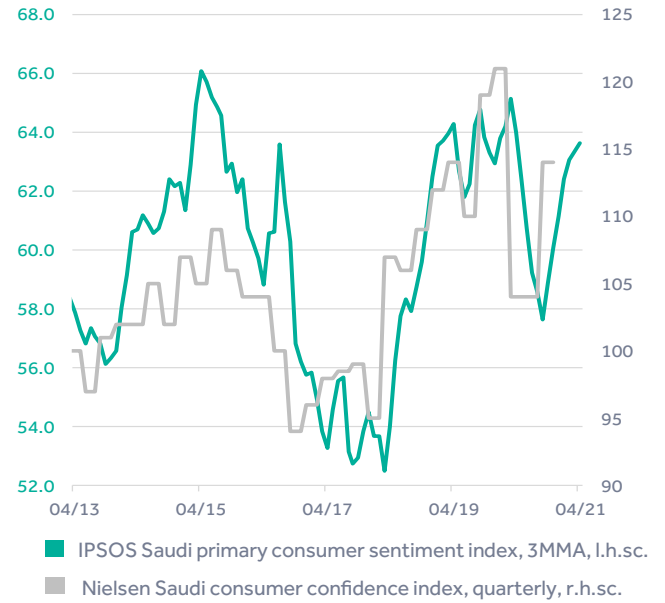
## Private Spending Indicators and Non-Oil Foreign Trade

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



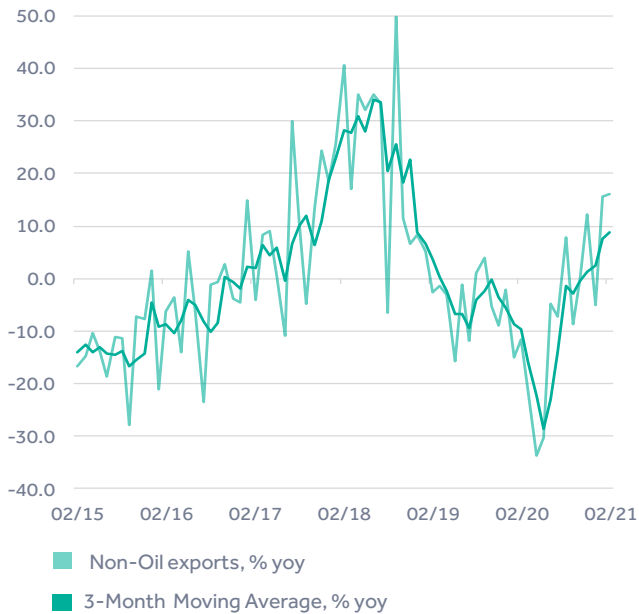
source: SAMA

**Figure 2:**  
Consumer Sentiment



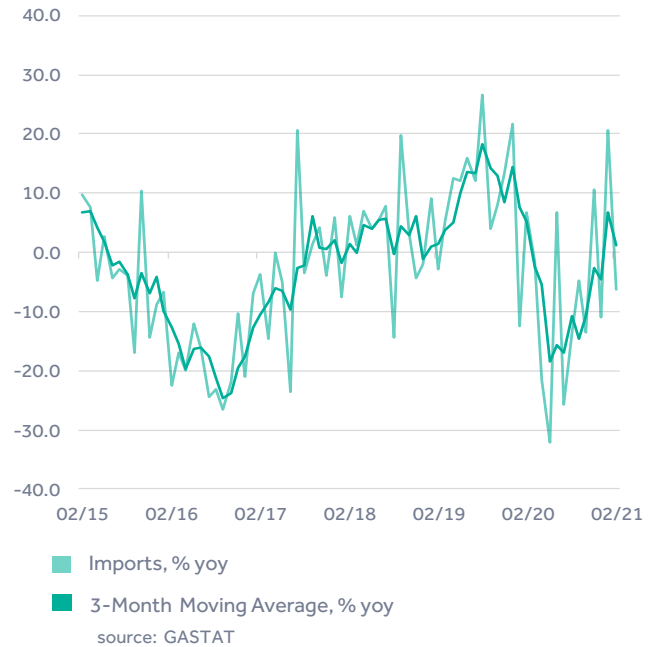
source: Refinitiv, Nielsen

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



source: GASTAT

**Figure 4:**  
Growth of Imports



source: GASTAT

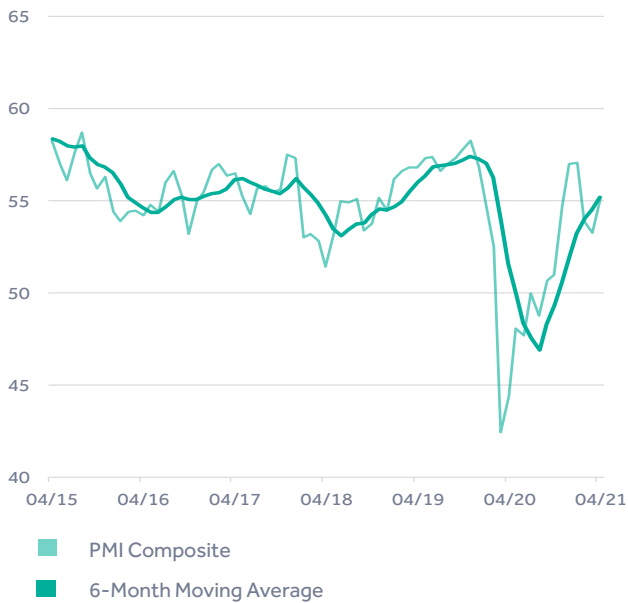
Growth in point-of-sales transactions and ATM withdrawals jumped in March due to a base effect as the lockdown measures in March 2020 had heavily affected consumption a year ago. Meanwhile, con-

sumer confidence continued to recover in the first months of this year. The trends in non-oil export and import growth also point towards a sustained recovery of the non-oil economy in 2021.



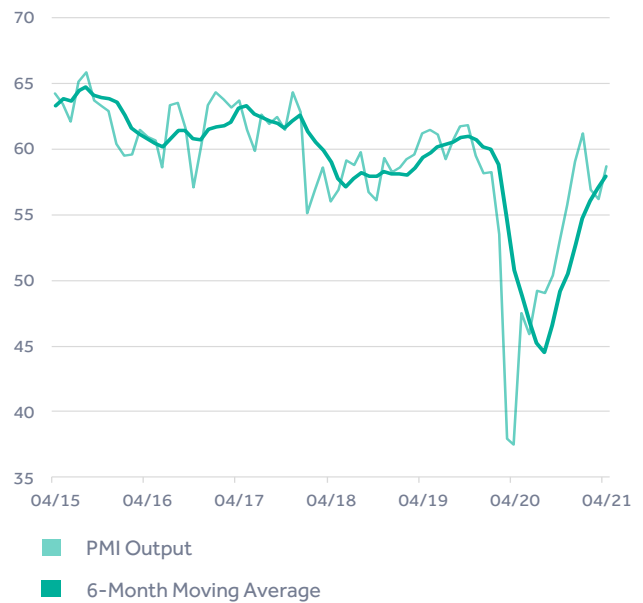
## Non-Oil Private Sector Business Climate Indicators

**Figure 1:**  
Purchasing Manager Index Composite



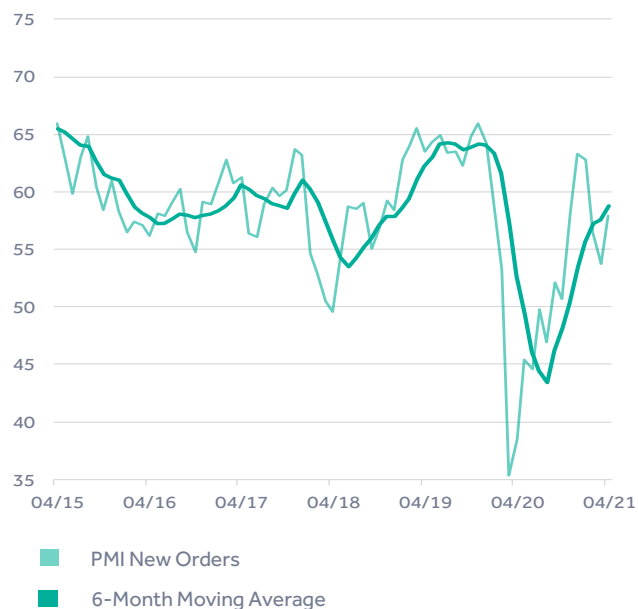
source: IHS Markit

**Figure 2:**  
Purchasing Manager Index Output



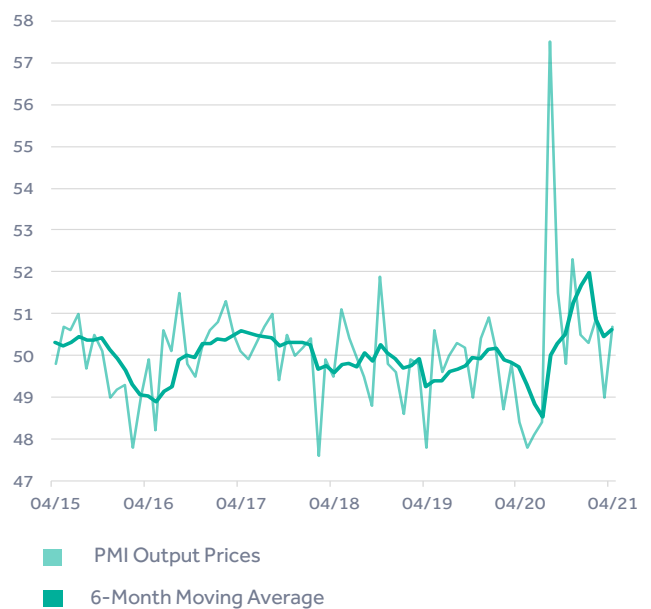
source: IHS Markit

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



source: IHS Markit

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



source: IHS Markit

The Saudi Purchasing Manager Indices (PMI) as business climate indicators of the non-oil economy still point towards a sustained recovery after last year's pandemic induced recession. After a consolidation

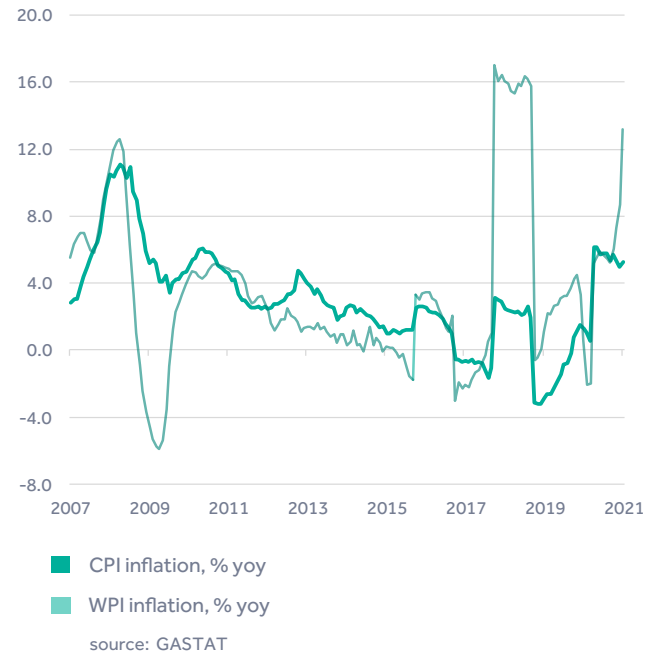
period in February and March, the PMI Composite has recovered in April to 55.2. This trend is confirmed by the latest readings in the PMI indices for New Orders, Output as well as Output prices.

## Consumer and Wholesale Price Inflation

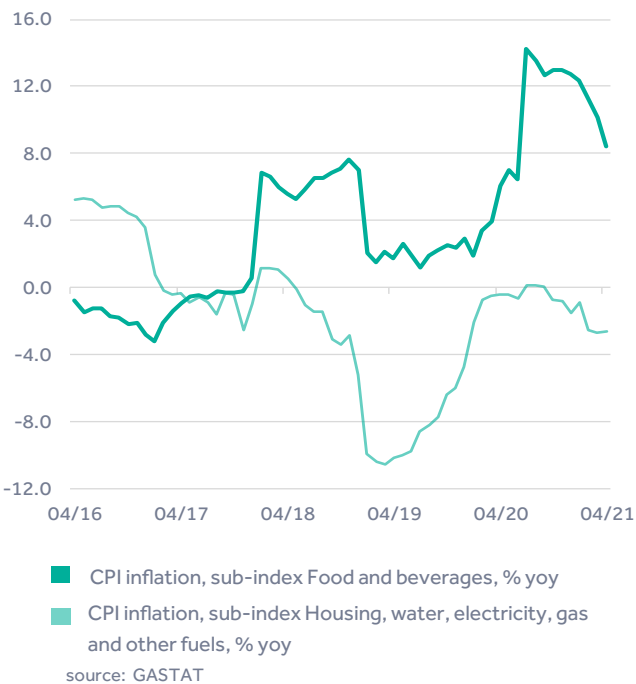
**Figure 1:**  
Consumer Price Inflation All Items



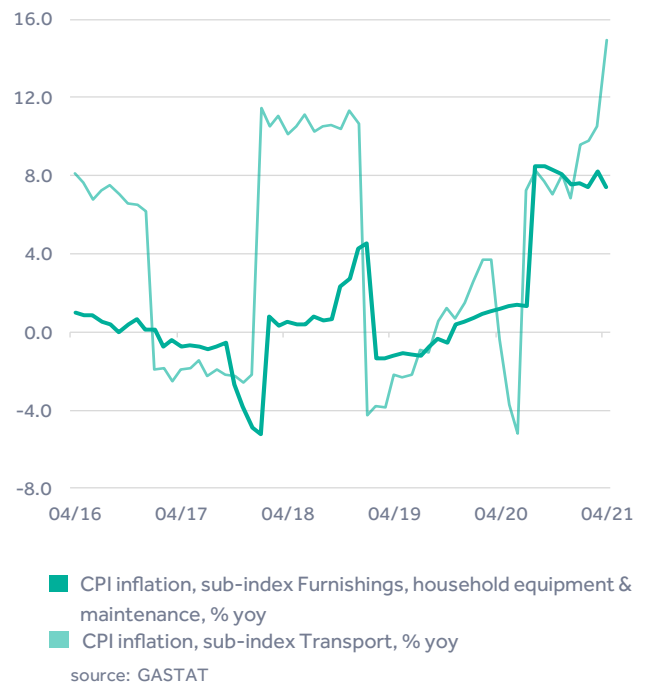
**Figure 2:**  
Consumer Price and Wholesale Price Inflation



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



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

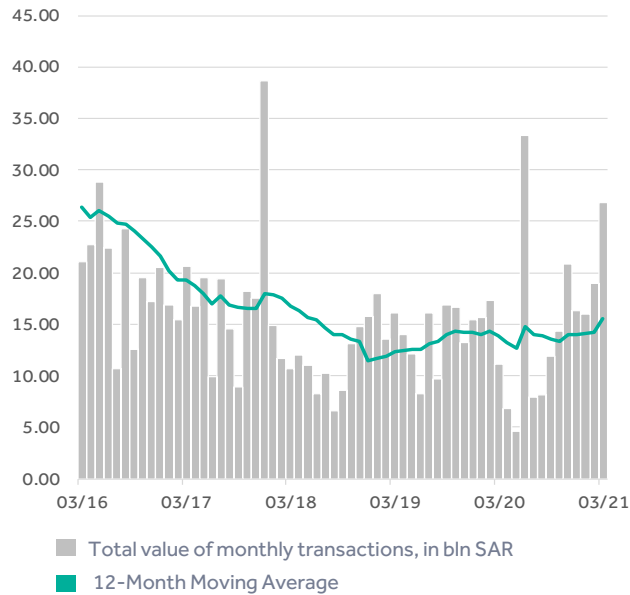


CPI inflation increased from 4.9% in March to 5.3% in April 2021. This was mainly due to the Transport sub-index which jumped from 10.5% to 14.9%, a shift which can be explained by substantially higher

gasoline prices compared to April 2020. More general, a broad based price increase in raw materials can be observed which is reflected in the jump of the Wholesale price index inflation to 13.2% in April.

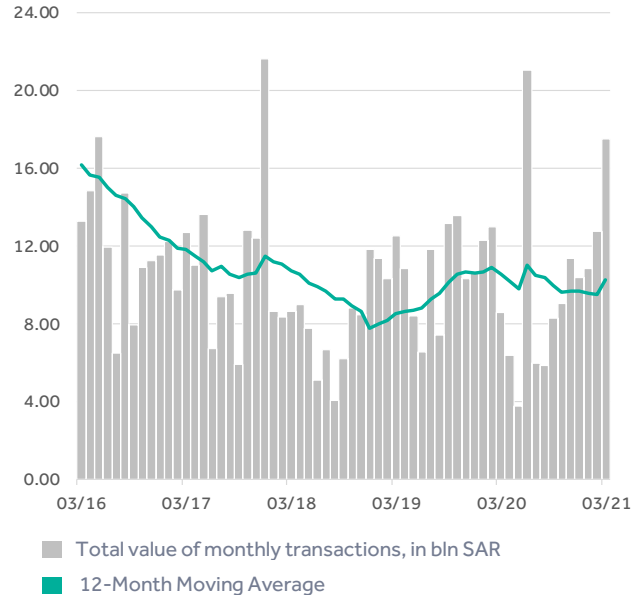
## Real Estate Market: Transaction Activity

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



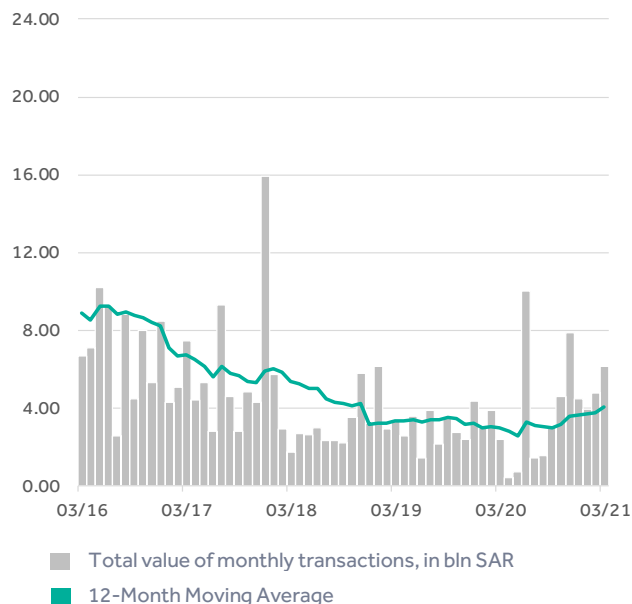
source: MOJ, RC

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



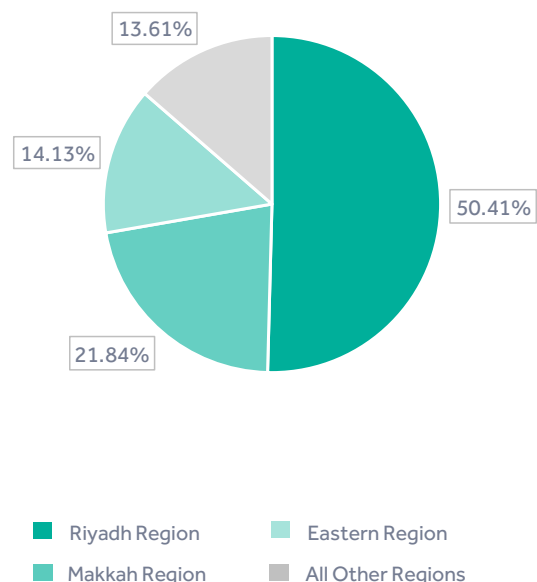
source: MOJ, RC

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



source: MOJ, RC

**Figure 4:**  
Breakdown of Transaction Value by Regions (Q1 2021)



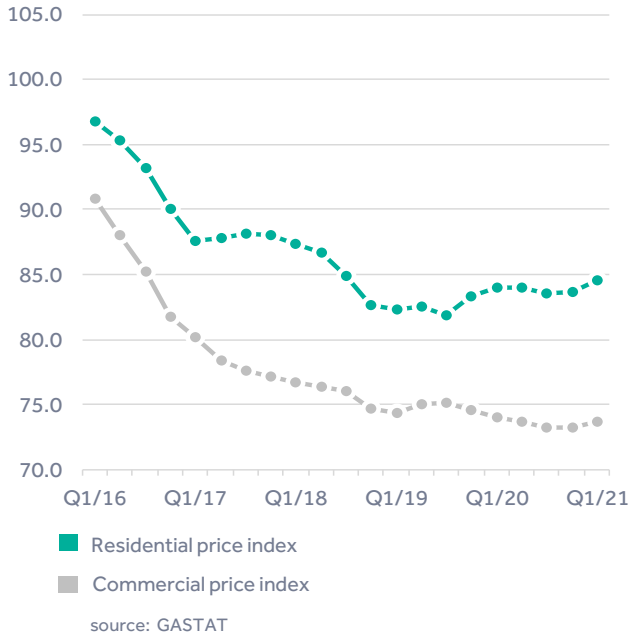
source: MOJ, RC

The recovery of real estate transaction activities, which had already started in H2 2020, continued in the first three months of 2021, peaking in March with a monthly transaction value of 26.8 bln SAR.

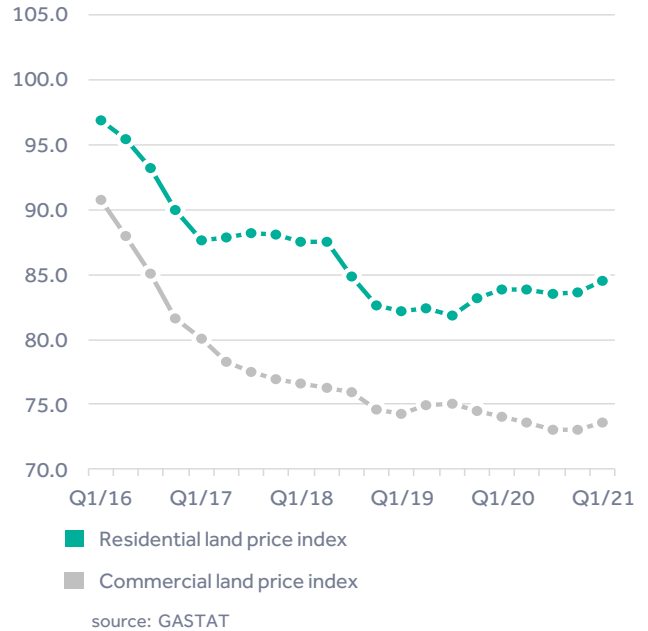
This can primarily be explained by a rebound in residential real estate activity which reached 17.5 bln SAR in March. Meanwhile, 50% of total transaction value in Q1 can be attributed to the Central Region.

## Real Estate Market: Price Indices

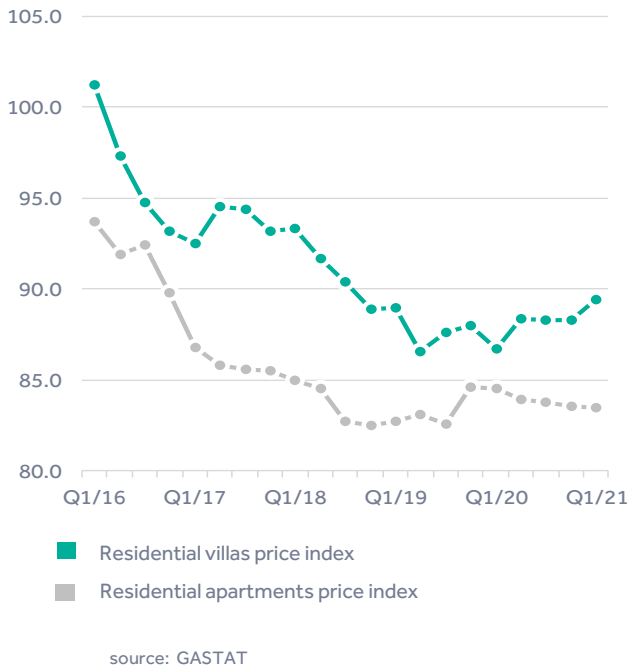
**Figure 1:**  
Residential and Commercial Price Indices



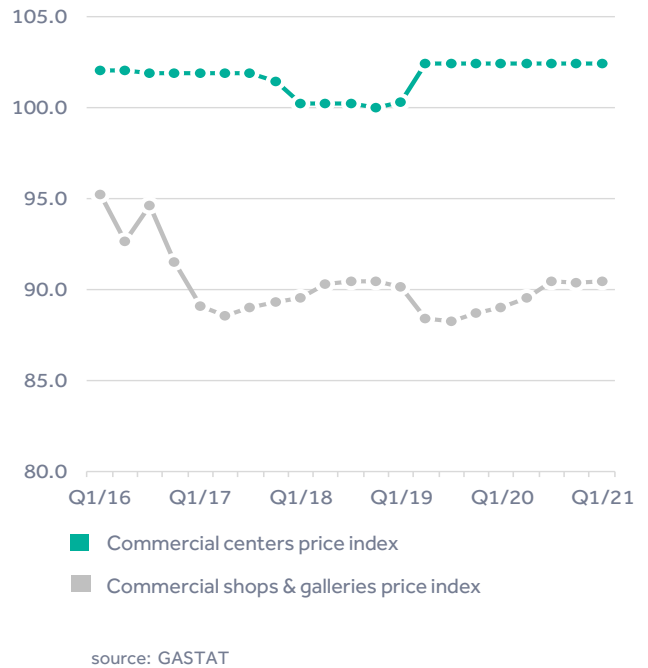
**Figure 2:**  
Residential and Commercial Land Price Indices



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



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

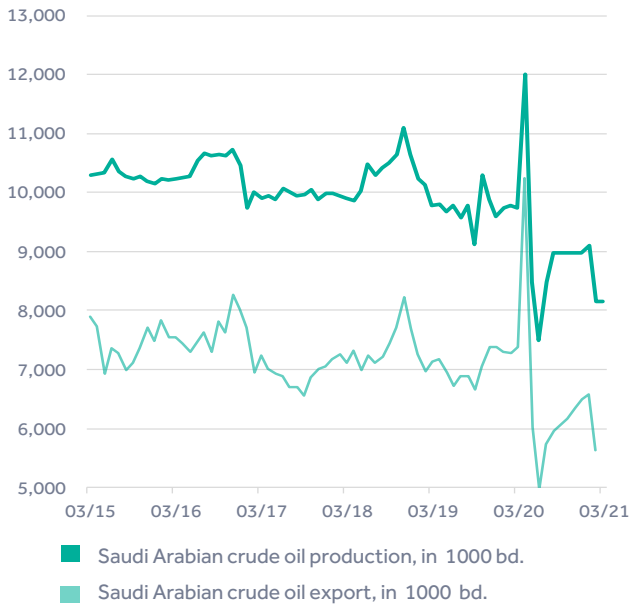


The recovery in real estate transactions is also accompanied by a rebound in real estate prices. The residential price index reached 84.5 in Q1 2021 after a multi-year trough of 81.9 back in Q3 2019. By

contrast, the commercial real estate price index reached its low point only one year later, in Q3 respectively Q4 2020, with 73.2 in both quarters. From this level it recovered to 73.7 in Q1 2021.

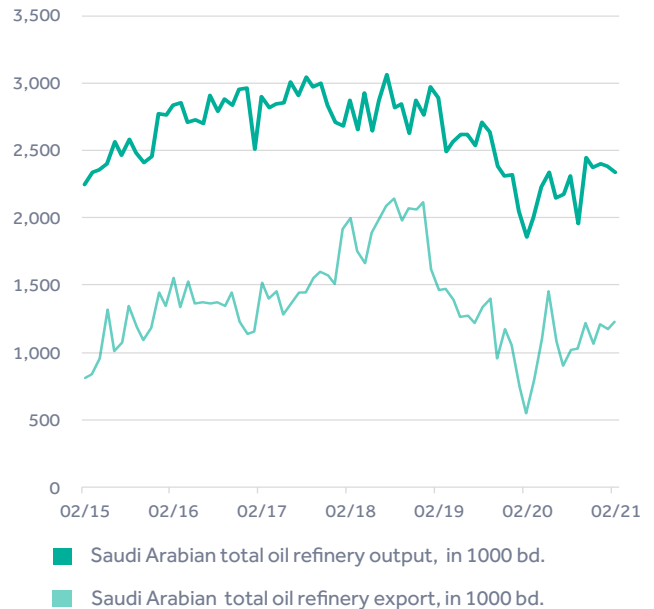
## Oil Market Statistics: Production, Exports, Refinery and Prices

**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 unilaterally cut its crude production in February and March to 8.1 mbd to further support the global oil market rebalancing process. On top, it is expected to only cautiously unwind this output

cut with production reaching again 9.0 mbd in the course of Q3 2021. This additional precautionary measure has helped to lift oil prices close to 70 USD (Brent) after 52 USD at the beginning of the year.

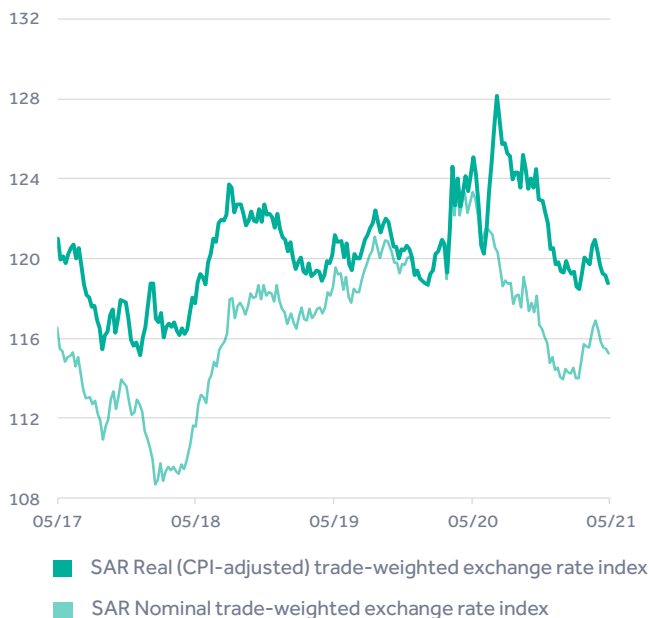
## Foreign Exchange: Forward Rates and Effective Exchange Rate Index

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



source: Bloomberg

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



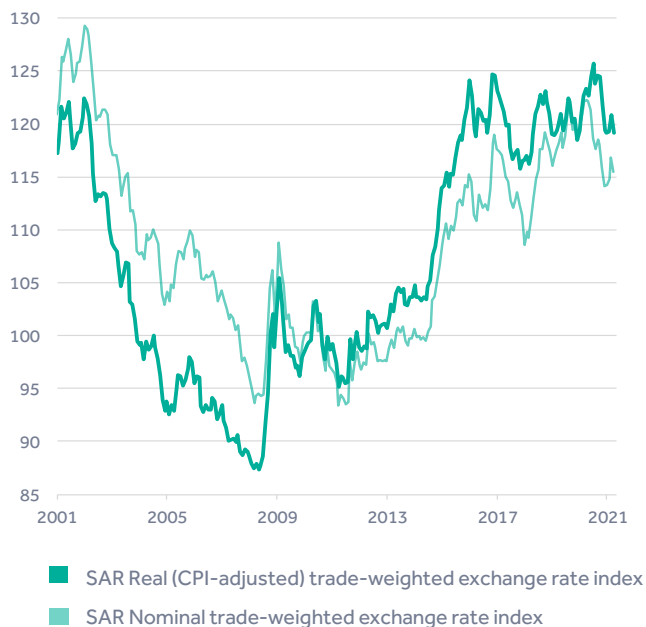
source: Bloomberg, JP Morgan

**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



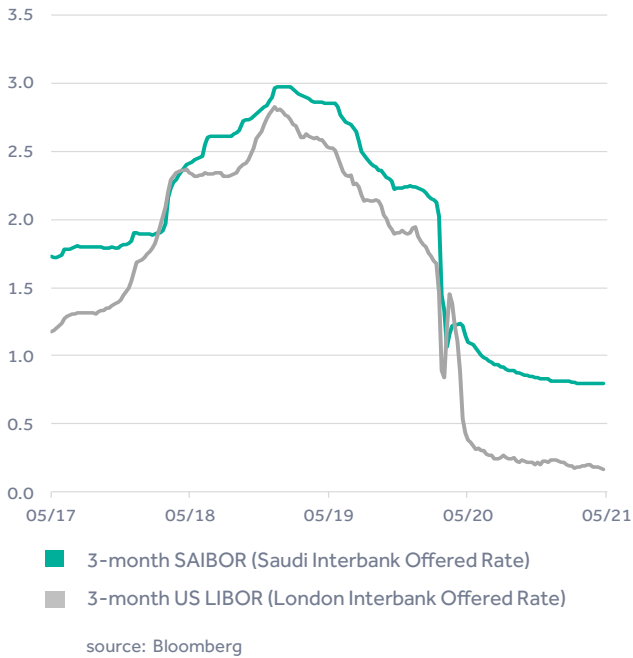
source: Bloomberg, JPMorgan

Saudi Arabia continues to benefit from a historically low USD/SAR forward premium reflecting confidence by international investors in the stability of the Saudi macro framework. Meanwhile, the Saudi

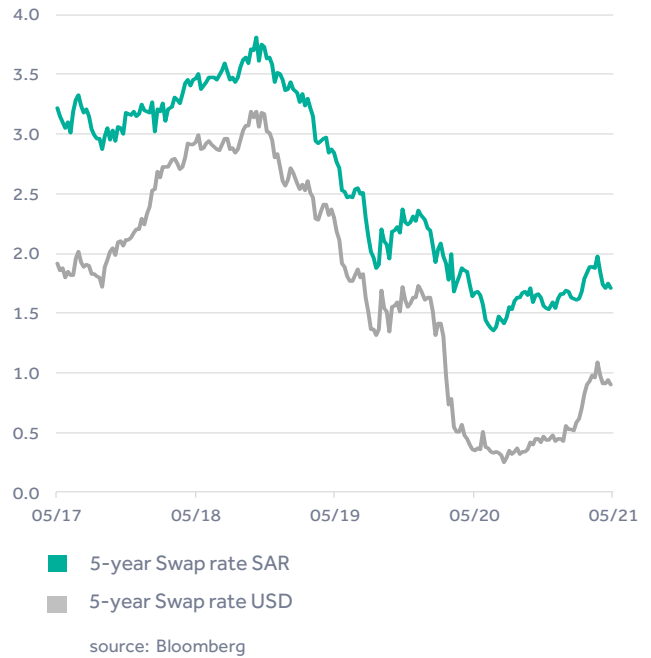
nominal and real exchange rate indices have broadly stabilized since February 2021 after a period of protracted weakness since mid of last year which generally mirrors the development of the US dollar.

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

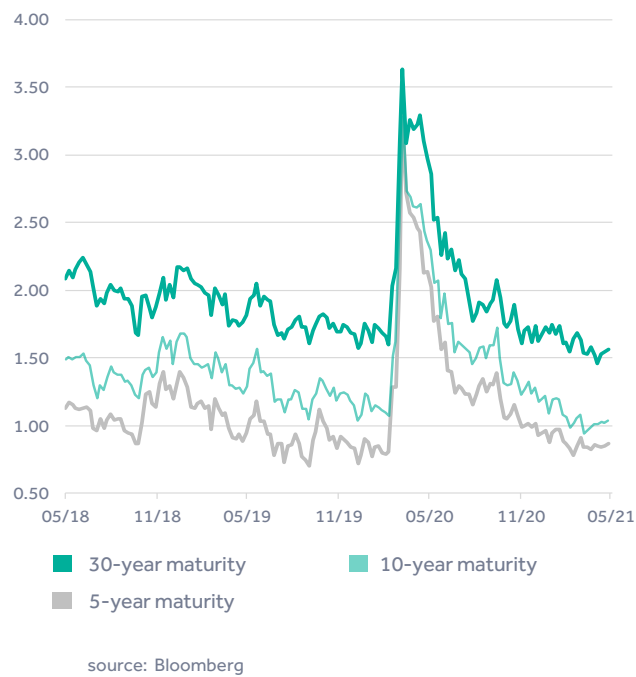
**Figure 1:**  
3-Months SAIBOR vs. USD LIBOR



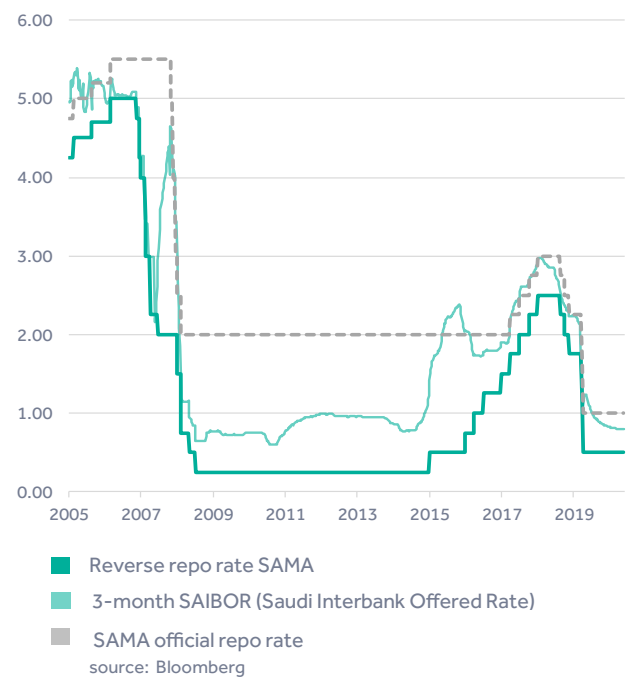
**Figure 2:**  
5-Year Swap Rate SAR vs. USD



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



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

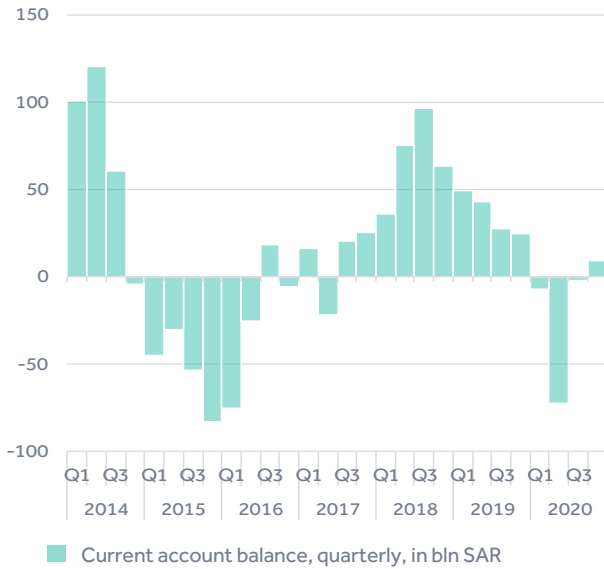


3M SAIBOR marginally declined from 0.82% at the beginning of the year to 0.79% in May. The SAIBOR–LIBOR spread stabilized around 60bp over this period. The steepening of the USD yield curve also af-

ected SAR interest rates. The 5-year SAR Swap rate increased from 1.36% by July 2020 to 2.00% in April 2021. Meanwhile, spreads of USD KSA bonds further tightened to pre-crisis levels in May 2021.

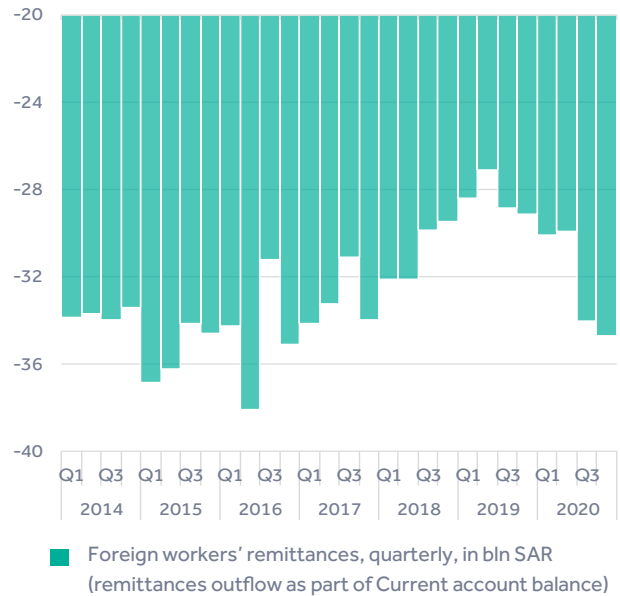
## Saudi Balance of Payments

**Figure 1:**  
Current Account Balance



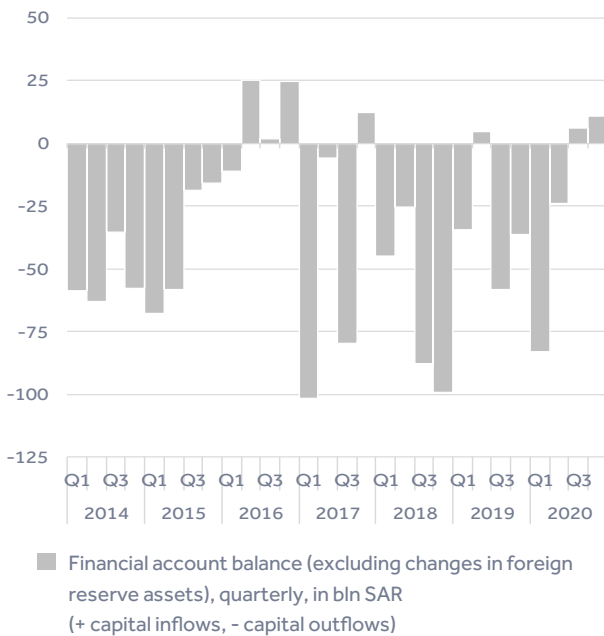
source: SAMA

**Figure 2:**  
Foreign Workers' Remittances



source: SAMA

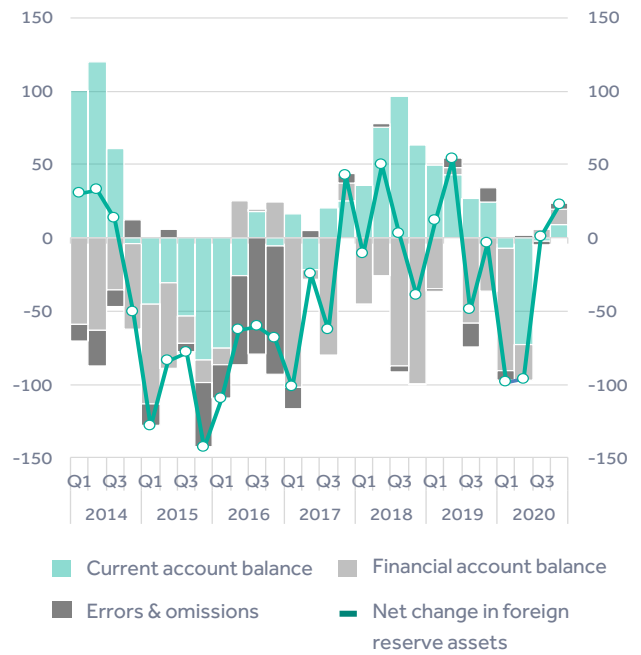
**Figure 3:**  
Financial Account Balance



source: SAMA

In Q4 2020, the current account balance recorded its first quarterly surplus during 2020 with 9 bln SAR - despite a substantial increase in expat remittances which reached 35bln SAR, a level last seen in 2016.

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



source: SAMA

The Saudi balance of payment was further supported by two consecutive quarters of a financial balance surplus in H2 2020 amounting to overall 17bln SAR, a rare observation by historical standards.

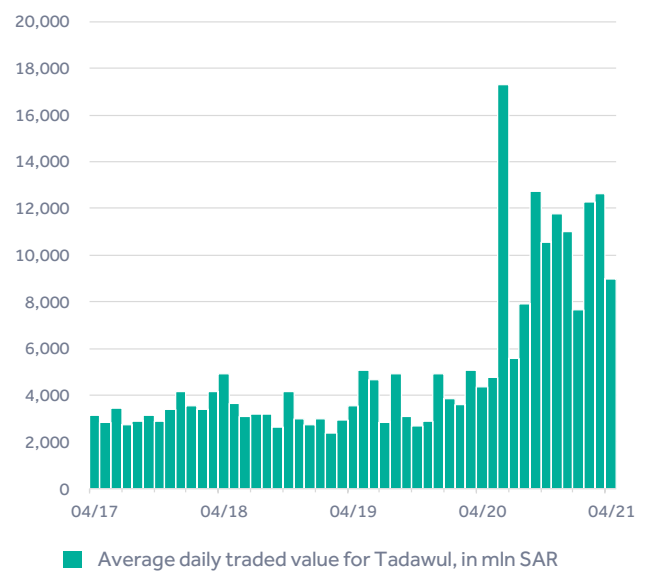


## Tadawul: Saudi Equity Market Statistics

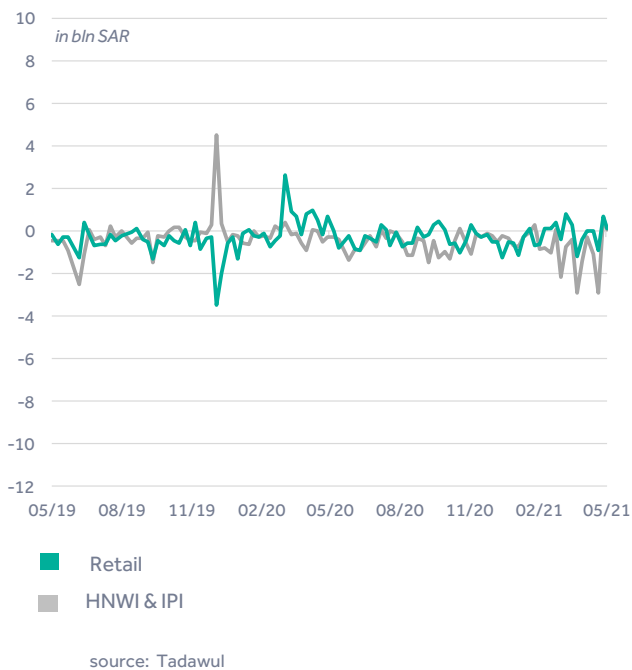
**Figure 1:**  
Tadawul All-Share Index



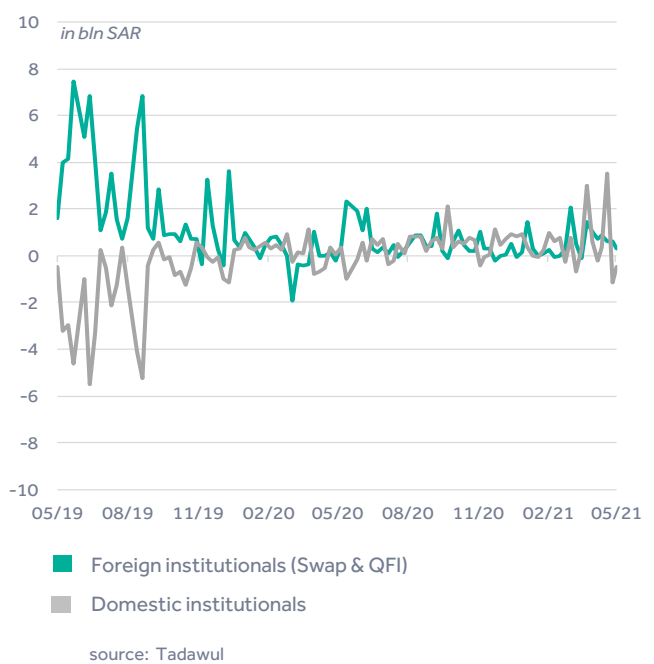
**Figure 2:**  
Tadawul Average Daily Traded Value



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



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

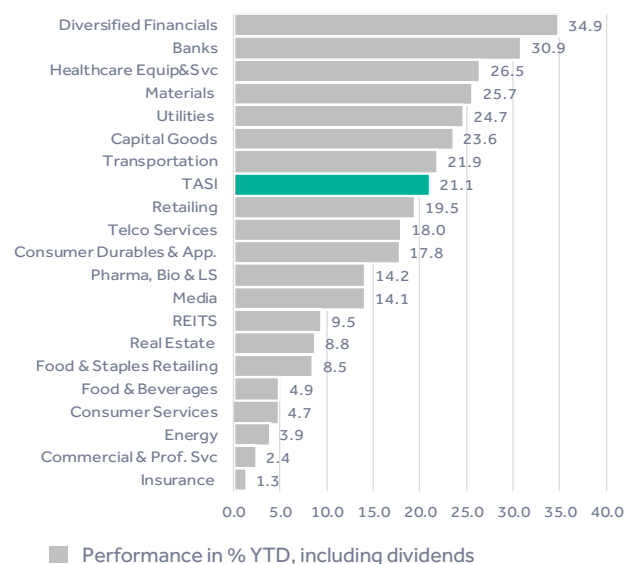


Between mid-January and end of April, TASI recorded an impressive rally of more than 20%, clearly outperforming its peers in global emerging markets over this period. At the same time, average daily

traded value also picked up, particularly in February and March where the ADTV reached levels above 12 bln SAR. Foreign and domestic institutional investors were the primary net buyers during this time.

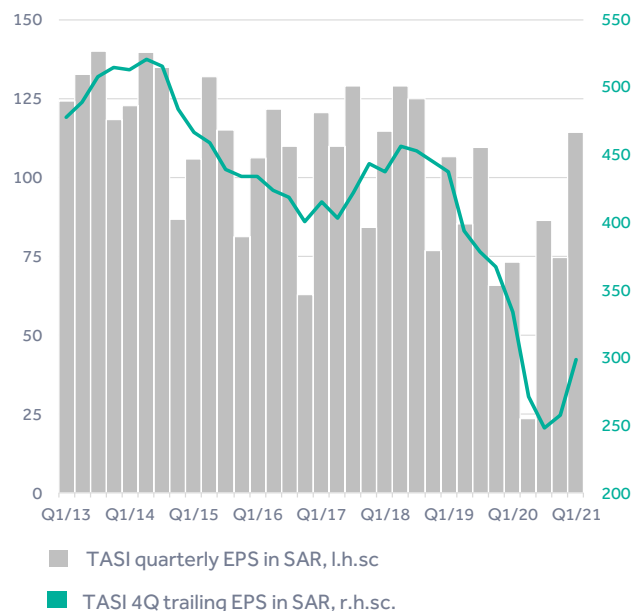
## Tadawul: Saudi Equity Market Statistics

**Figure 1:**  
Performance TASI Sectors April 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 TASI rally in 2021 was primarily driven by its large-cap heavy weights in the banking, material and utility sectors which all substantially outperformed the index. At the other end, we find amongst others

in particular all consumer staples and consumer discretionary sectors which collectively underperformed in 2021. Despite a notable earnings recovery in Q1, valuations are still historically elevated.

## Saudi Economic Outlook

In 2021, the Saudi economy will be characterized by a diverging trend between the oil sector and the non-oil sector economy.

For the non-oil economy, we forecast a strong recovery in 2021 after last year's contraction. The non-oil private sector is projected to grow by 3.4% in 2021, followed by a still solid growth rate of 3.2% in 2022.

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

As a result of the OPEC+ oil market policy and the additional temporary Saudi output cut, we forecast oil production to average at 9.0 mbd in 2021. This translates into another year of negative growth contribution by the oil sector of -1.0% in 2021.

However, for 2022, the normalization of the Saudi oil production to pre-crisis levels will lead to an oil sector growth rate of close to 10%.

As a result, overall economic growth will be 1.2% in 2021 and accelerate to 5.4% in 2022.

The fiscal deficit is projected to shrink to -4.9% of GDP in 2021 and to -3.9% in 2022. This can be explained by considerably higher oil- and non-oil revenues as well as consolidating fiscal expenditure over this period.

Due to substantially higher oil export revenues, the current account balance is expected to turn positive again in 2021 with 3.3% of GDP and to further expand to 6.1% in 2022.

CPI inflation, which currently is around 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% and for 2022 at 2.2%.

The US Federal Reserve is expected to keep interest rates unchanged 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 to 0.75% until the end of this year.

### Facts and Forecasts at a Glance

	2019	2020	2021f	2022f
<b>Real GDP Growth</b>				
Overall economy	0.3	-4.1	1.2	5.4
Non-oil Private sector	3.8	-3.1	3.4	3.2
Government sector	2.2	-0.5	1.2	1.0
Oil sector	-3.6	-6.7	-1.0	9.8
<b>Fiscal Balance and Government Debt</b>				
Fiscal Balance in bln SAR	-133	-298	-141	-118
Fiscal Balance in % GDP	-4.5	-12.0	-4.9	-3.9
Government debt in bln SAR	678	854	955	1038
Government debt as % GDP	22.8	34.3	33.3	34.1
<b>Trade and Current Account Balance</b>				
Trade Balance in bln SAR	455	180	395	485
Trade Balance in % GDP	15.3	7.2	13.8	15.9
Current Account in bln SAR	143	-74	94	185
Current Account in % GDP	4.8	-3.0	3.3	6.1

source: GASTAT, SAMA, RC

	2019	2020	2021f	2022f
<b>Oil Prices and Production (yearly average)</b>				
Brent price (USD pb)	64.1	43.3	65.0	69.0
WTI price (USD pb)	57.0	39.4	62.0	65.0
OPEC Basket price (USD pb)	64.0	41.7	64.0	68.0
KSA oil production (mln bd)	9.8	9.2	9.0	9.9
<b>Inflation and Interest Rates (year end)</b>				
CPI Inflation (yearly average)	-2.09	3.44	3.30	2.20
3M SAIBOR SAR	2.23	0.82	0.75	0.75
Reverse Repo Rate	1.75	0.50	0.50	0.50
Official Repo Rate	2.25	1.00	1.00	1.00
<b>Labor Market (yearly average)</b>				
Unemployment rate total in %	5.6	7.7	5.8	5.1
Unemployment rate Saudi in %	12.2	13.7	11.5	10.6
Labor force part. total in %	57.9	59.5	61.5	62.1
Labor force part. Saudi in %	44.9	48.8	52.1	53.1

source: GASTAT, SAMA, Bloomberg, RC

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