



Saudi Economic Chartbook

Second Quarter 2022

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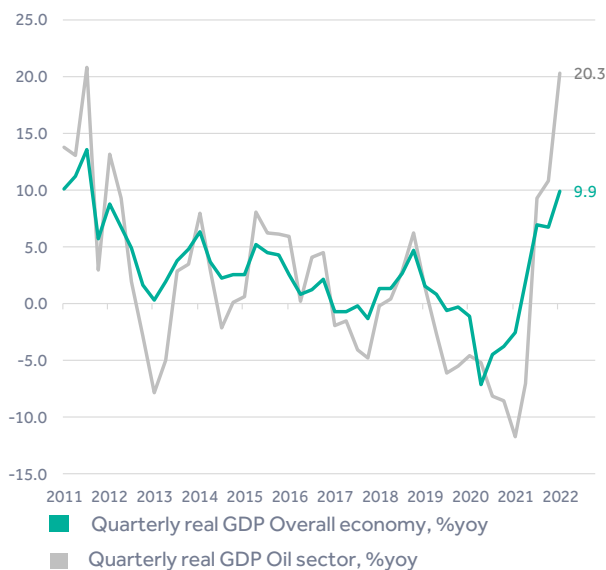
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Oil Sector Driving Economic Growth in 2022

- Based on the latest GDP figures, the Saudi economy recorded a real growth of 9.9%yoy in Q1 2022, the highest quarterly growth rate since 2011. GDP growth is driven by the strong rebound of the oil sector (see chart below). For the full year 2022 we expect the Saudi economy to expand by 7.8%.
- Consumer sentiment has reached a new all-time high in Spring according to a consumer survey index by TR IPSOS. This is confirmed by a growth acceleration of consumer spending in the last few months, measured by key proxy indicators for private consumption.
- The government reported a fiscal surplus of 57 bln SAR in Q1 2022. This is primarily the result of strongly growing oil revenues with spending remaining largely contained. As the government pursues a fiscal consolidation policy we expect a fiscal surplus in the order of 7.9% of GDP for the full year 2022.
- Saudi crude oil production reached 10.3 mbd in March, an expansion of 27% compared to the previous year while crude exports grew by 33%yoy. For the full year we expect an average crude output of 10.6 mbd, representing a 16.3% growth rate to the previous year.
- SAMA increased its key interest rates twice by overall 75bp since March, following corresponding steps by the US FED. Against the backdrop of this monetary policy tightening, 3M SAIBOR rose by more than 200 bp since the beginning of the year, crossing 3.0% by end of May.
- The rally of the Saudi equity market continued into the 2nd quarter with TASI reaching a multi-year high of 13820 by beginning of May, before a double-digit correction kicked in subsequently. At the earnings front, Q1 2022 brought a new historical record EPS for TASI amounting to 153 SAR.

Rising Oil Production Driving Saudi GDP Growth in 2022

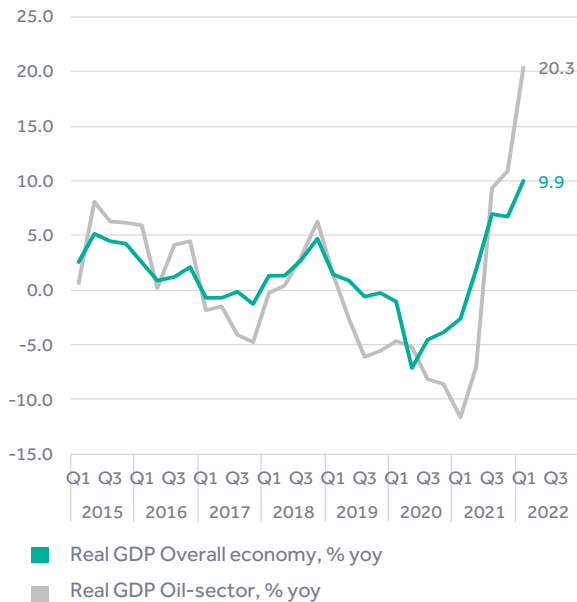


The oil sector started to recover in Q3 2021 on the back of an expanding crude oil production. This rebound has gained pace in 2022 with oil sector GDP growth reaching a level in the first quarter last seen in 2011. As a result of this oil sector recovery, Saudi quarterly GDP also accelerated to an 11-year peak growth rate in Q1 2022.

source: GASTAT

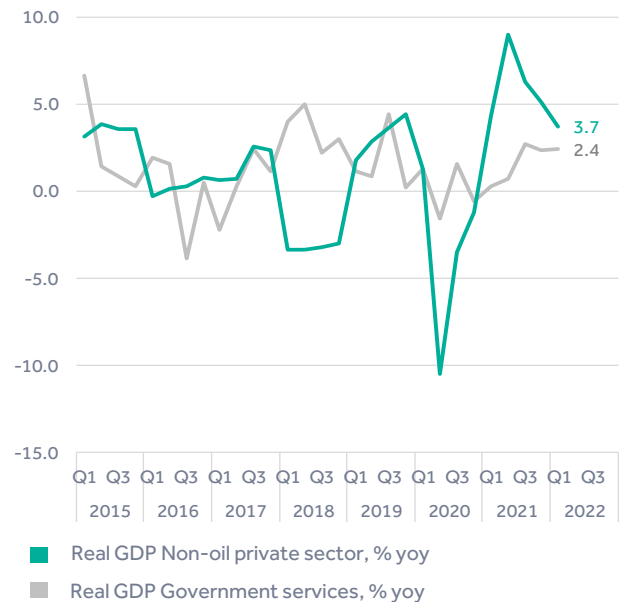
Gross Domestic Product (GDP) Overall Economy and Institutional Sectors

Figure 1:
GDP YoY: Overall Economy and Oil Sector



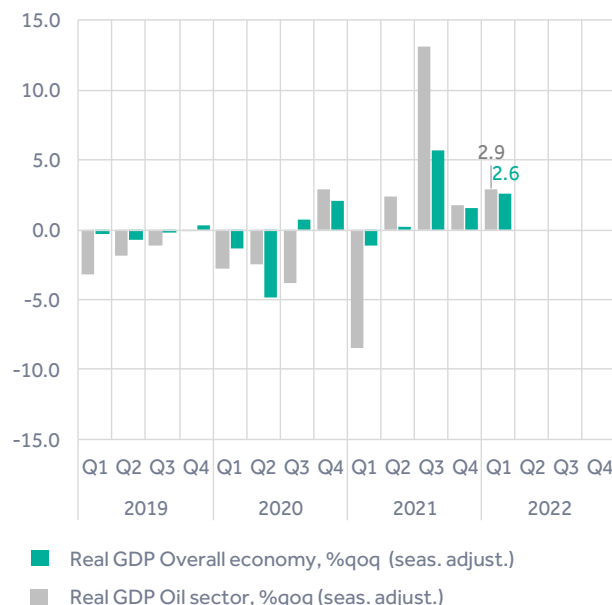
source: GASTAT

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



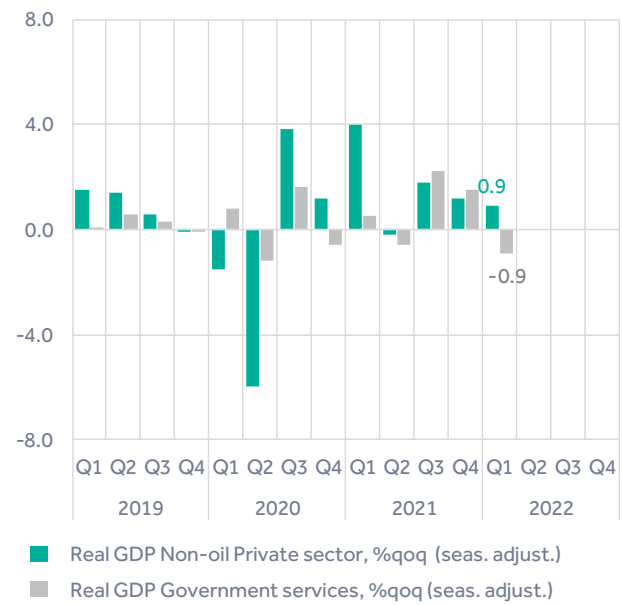
source: GASTAT

Figure 3:
GDP QoQ: Overall Economy and Oil Sector



source: GASTAT

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



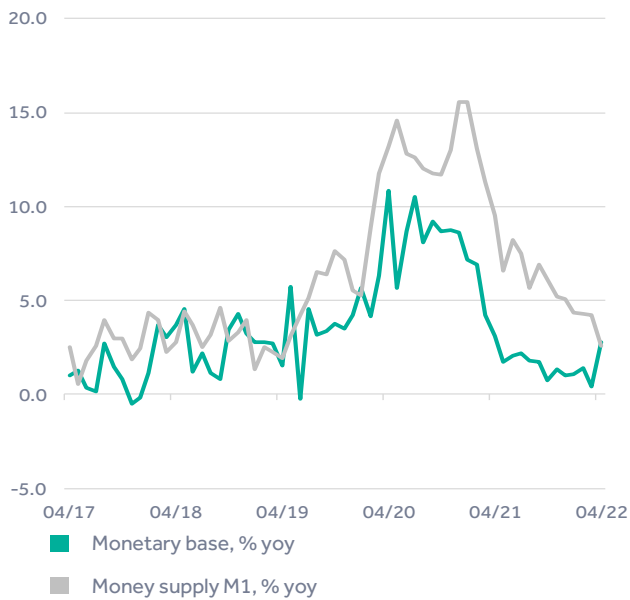
source: GASTAT

Based on the latest GDP figures, the Saudi economy recorded a real growth of 9.9%yoy in Q1 2022, the highest growth rate since Q3 2011. Economic growth has primarily been driven by a strong oil sec-

tor which expanded by an impressive 20.3%yoy, a growth level last seen in 2011. Meanwhile, non-oil private sector growth gradually slowed to 3.7%yoy in Q1 2022 after 5.1%yoy in the previous quarter.

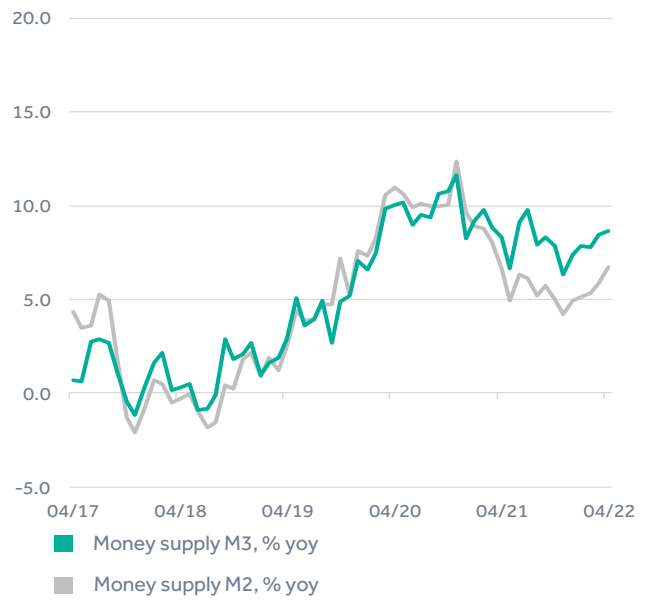
Monetary Aggregates, Credit and Commercial Banks' Deposits

Figure 1:
Growth Rate Monetary Base and Money Supply M1



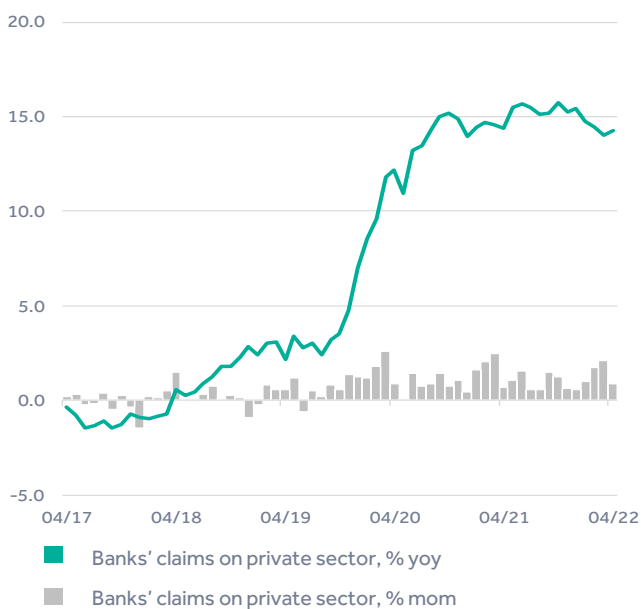
source: SAMA

Figure 2:
Growth Rate Money Supply M2 and M3



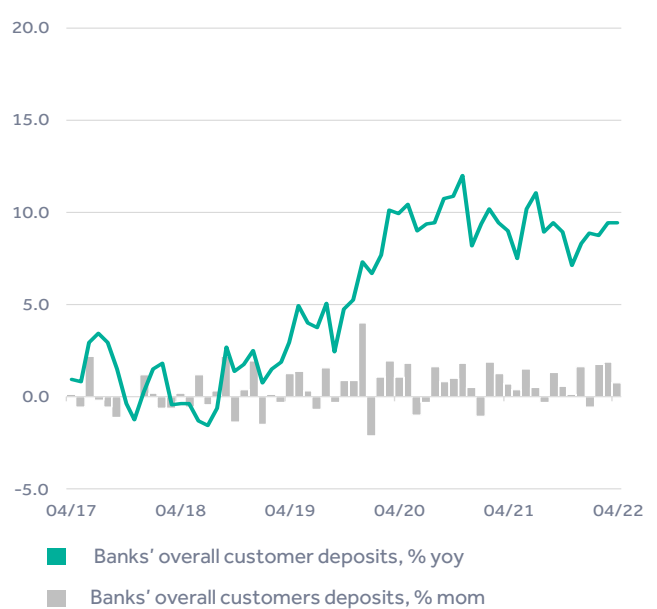
source: SAMA

Figure 3:
Growth of Credit to the Private Sector



source: SAMA

Figure 4:
Growth of Commercial Banks' Deposits



source: SAMA

Since the beginning of the year, a growth acceleration could be observed for the broader money supply aggregates M2 and M3 with growth rates rising to 8.7%yoy (M3) and 6.7%yoy (M2) in April. This can

be explained by a corresponding growth recovery for customer deposits to 9.4% in April. Meanwhile, growth of credit to the private sector has started to falter, declining to 14.2%yoy in April.

Commercial Banks Key Ratios

Figure 1:
Private Sector Loan-Deposit-Ratio

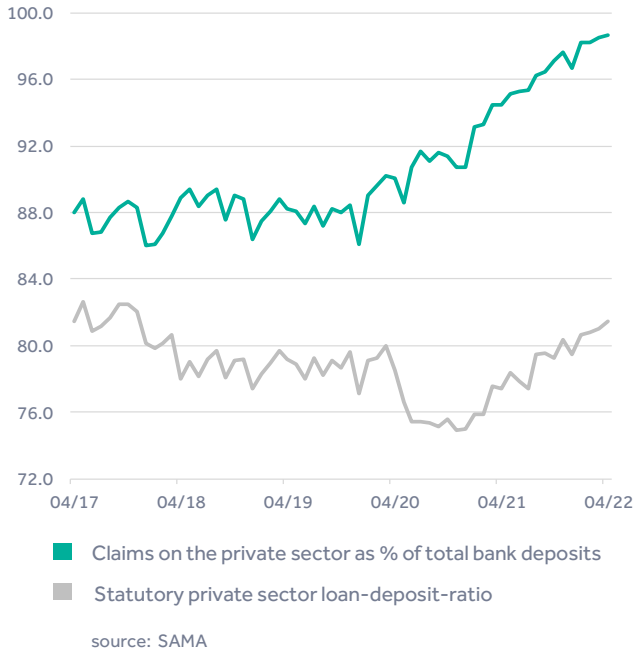


Figure 2:
Government Sector Loan-Deposit-Ratio

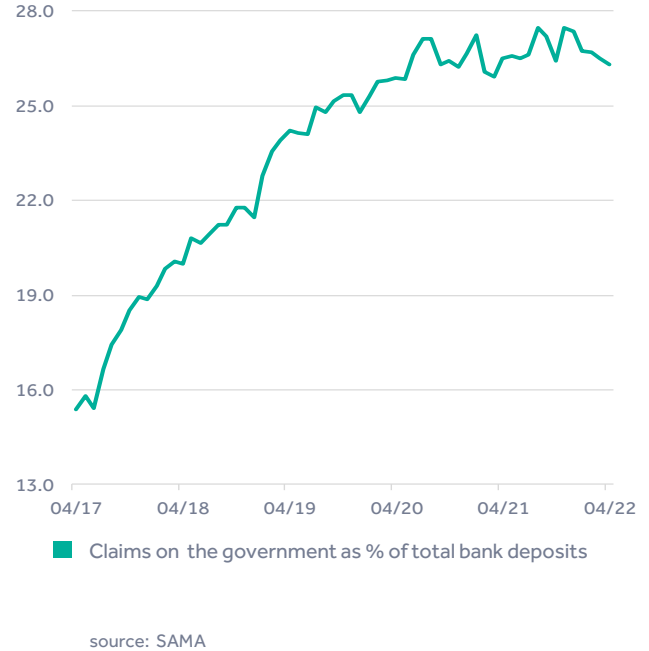


Figure 3:
Foreign Assets to Total Assets Ratio

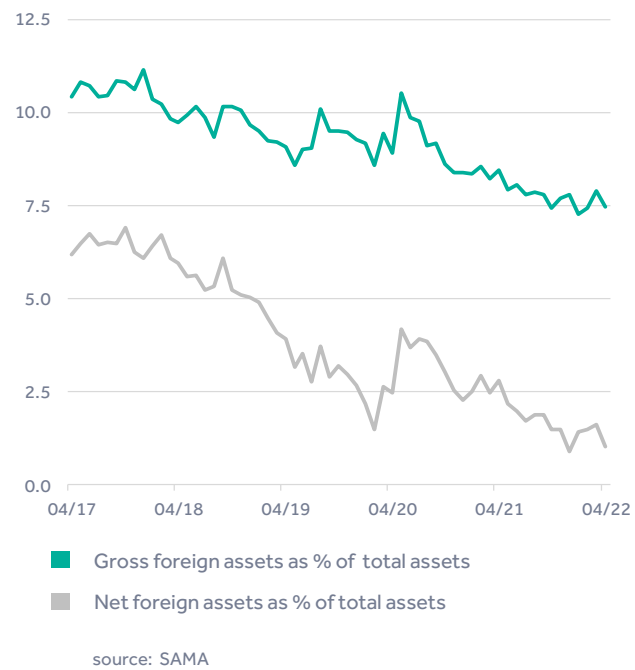
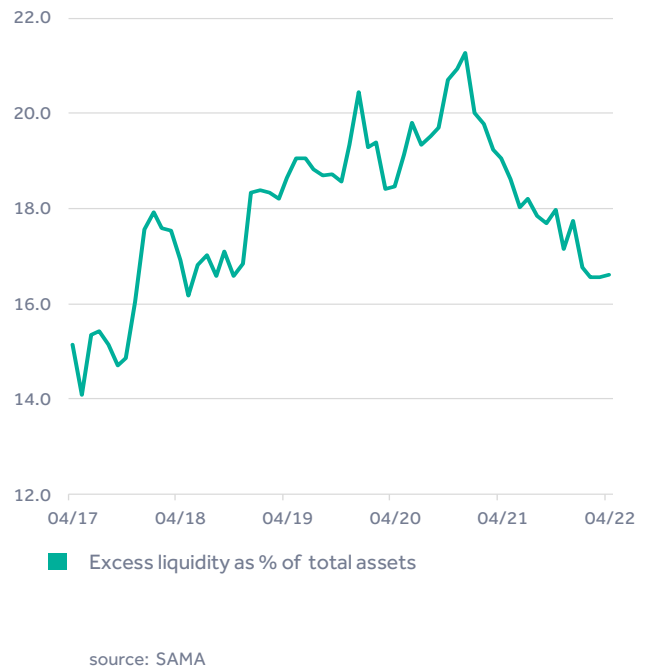


Figure 4:
Excess Liquidity to Total Assets Ratio



As a consequence of credit growth to the private sector still outpacing the rise in bank deposits, the private sector LDR continued to climb to reach 98.7 in April. Meanwhile, the LDR for government lending

has been broadly stable over the last 24 months. Overall, excess liquidity of the banking sector (as % of total assets) declined from a peak at 21.3% back in December 2020 to 16.6% in April 2022.

SAMA Balance Sheet and Government Deposits

Figure 1:
Foreign Currency Reserves at SAMA

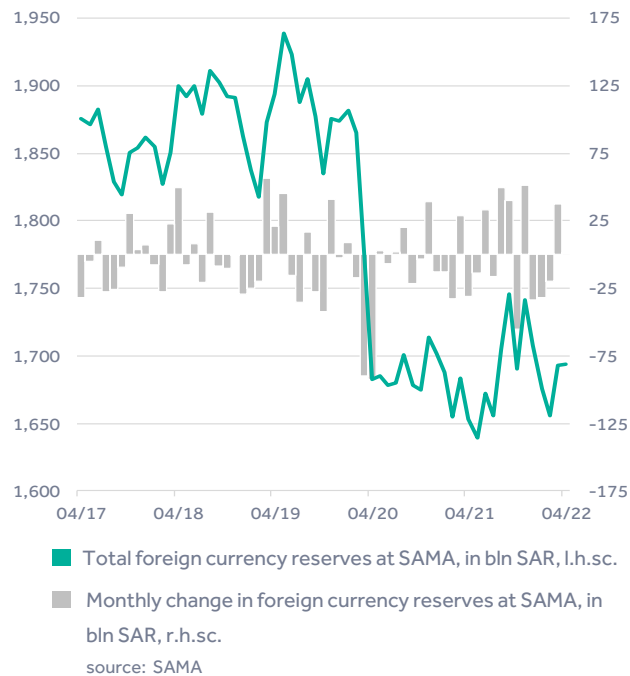


Figure 2:
Government Deposits at SAMA

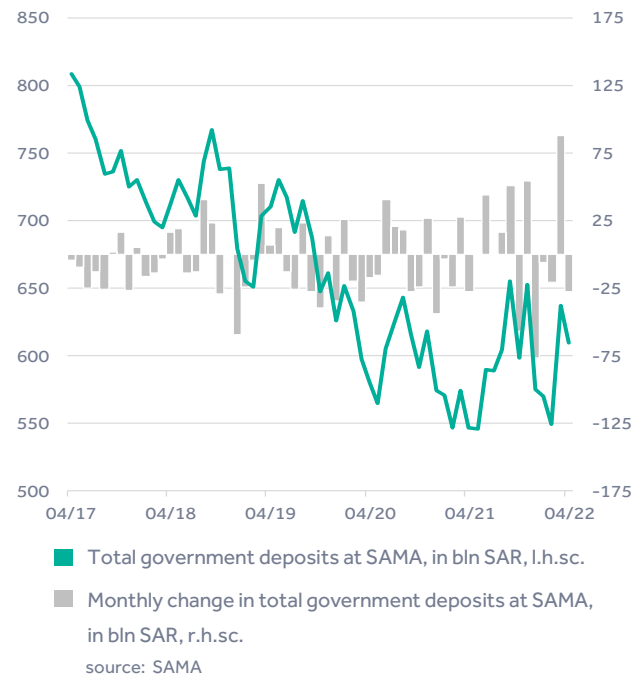


Figure 3:
Breakdown of Foreign Currency Reserves at SAMA

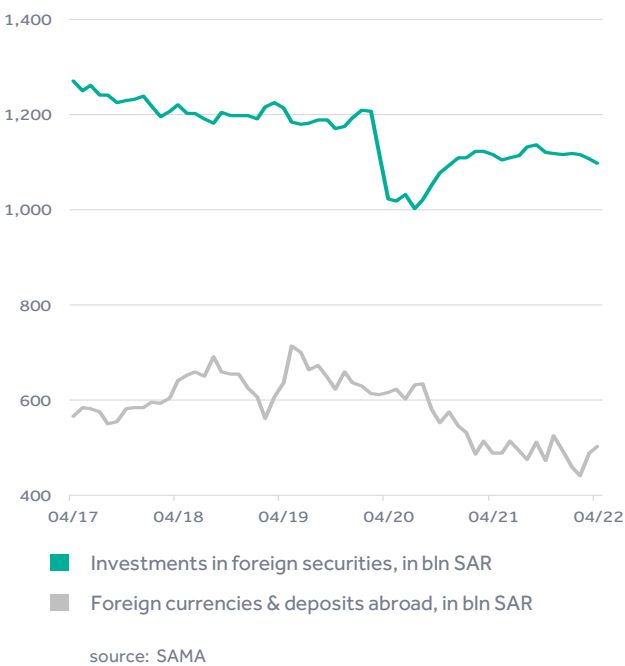
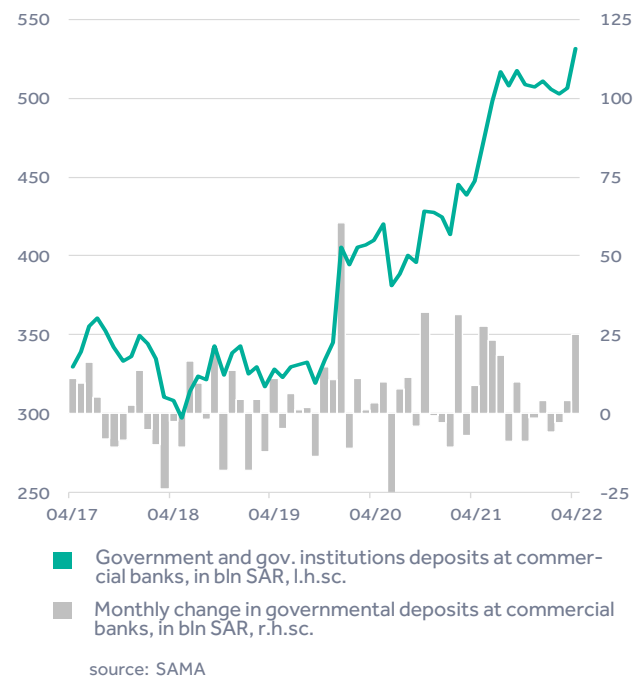


Figure 4:
Government Deposits at Commercial Banks

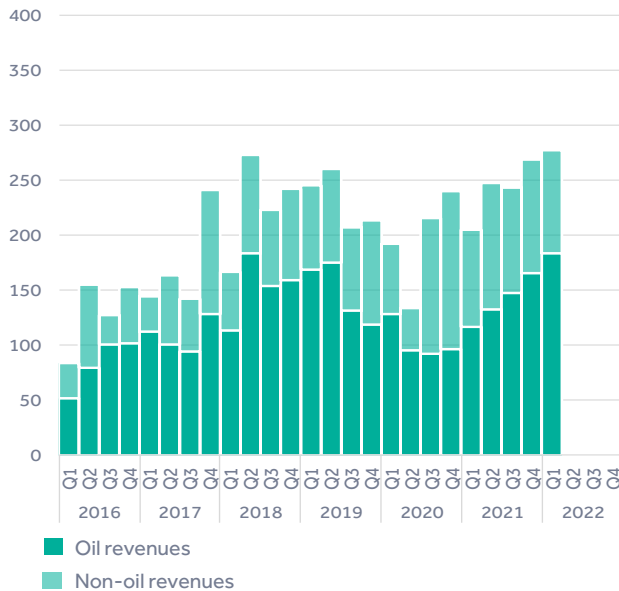


SAMA reserves declined by -14bln SAR in the first 4 months, but are expected to notably increase in the course of the year due to a massive current account balance surplus in 2022. Meanwhile, government

deposits at SAMA jumped in March by 88 bln SAR, primarily due to the quarterly Aramco dividend payment. They are also projected to strongly grow as a result of the expected fiscal surplus in 2022.

Quarterly Fiscal Balance and Outstanding Government Debt

Figure 1:
Quarterly Fiscal Revenues (in bln SAR)



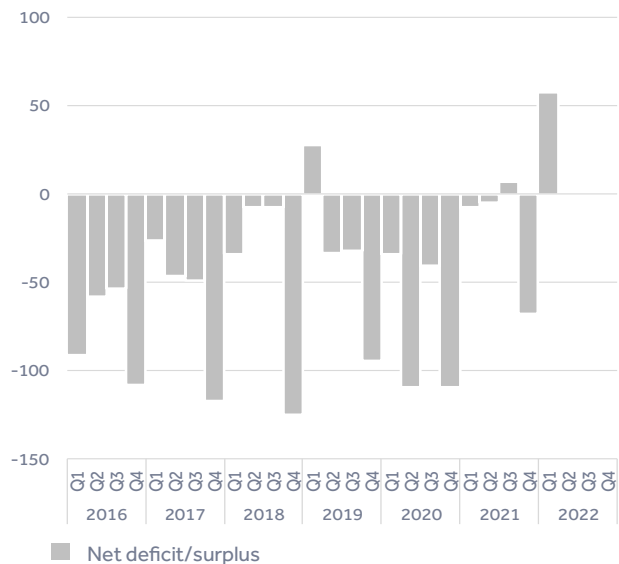
source: MoF

Figure 2:
Quarterly Fiscal Expenditure (in bln SAR)



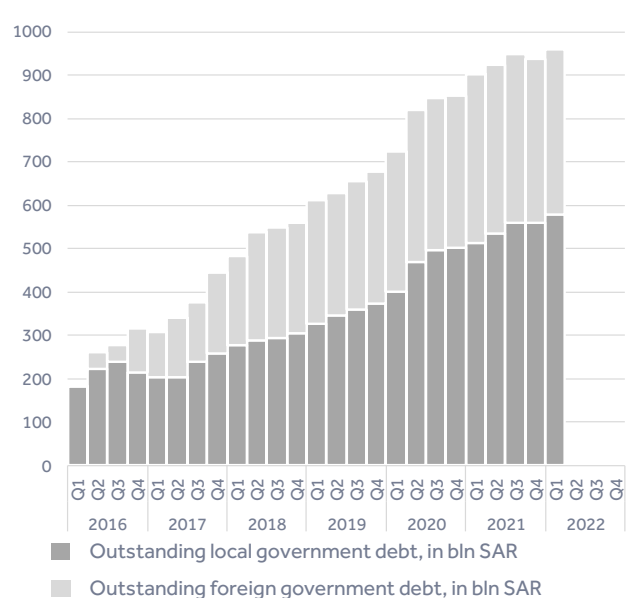
source: MoF

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



source: MoF

Figure 4:
Outstanding Government Debt (End of Quarter)



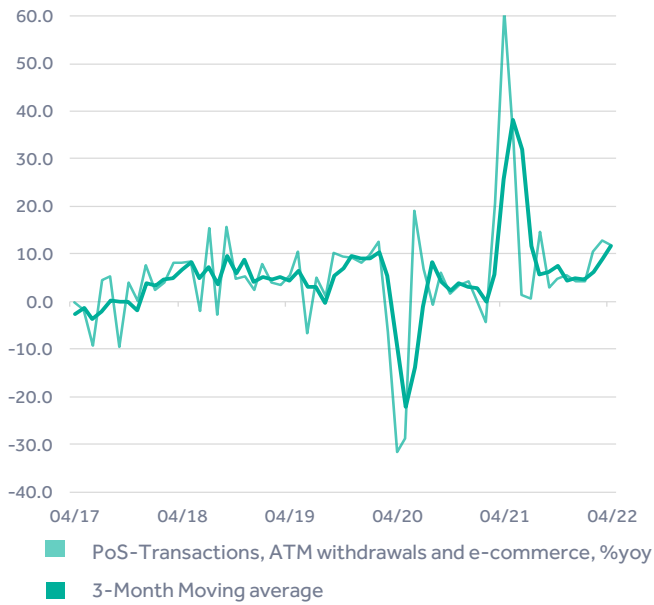
source: MoF

The government reported a fiscal surplus of 57bln SAR for Q1 2022. This surplus was primarily due to a substantial rise in fiscal revenues while fiscal spending was relatively contained. Revenues rose by 36%

vs. Q1 2021 with oil revenues soaring by 58%yoy, while fiscal spending expanded by a moderate 4% yoy. Net debt increased by 21 bln SAR in Q1, most likely to finance maturing debt later this year.

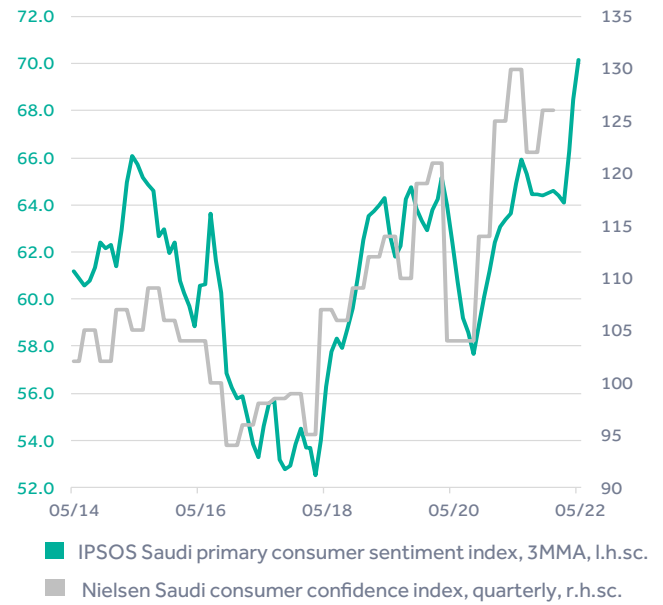
Indicators for Private Spending and Non-Oil Business Climate

Figure 1:
Private Spending Indicator



source: SAMA

Figure 2:
Consumer Sentiment Indicators



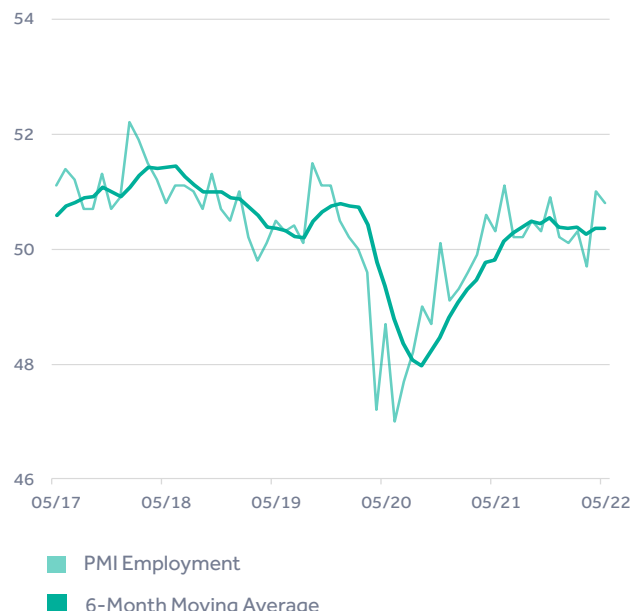
source: Refinitiv, Nielsen

Figure 3:
Purchasing Manager Index Composite



source: IHS Markit

Figure 4:
Purchasing Manager Index Employment



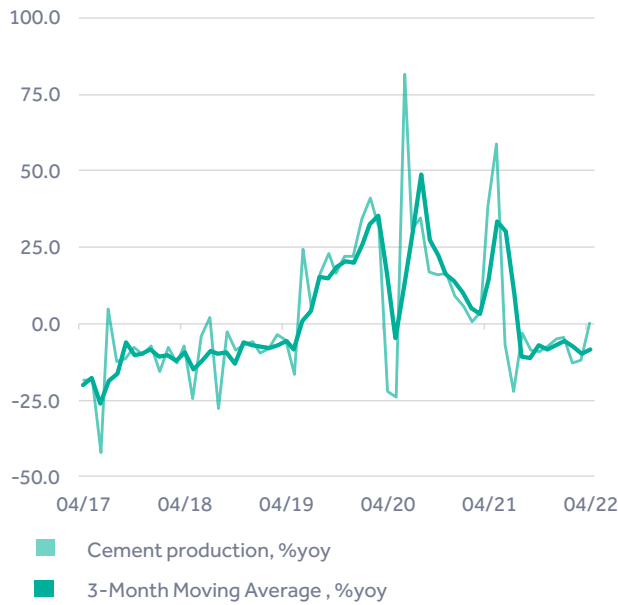
source: IHS Markit

In Spring 2022, the IPSOS Saudi primary consumer sentiment index reached a new all-time high, reflecting an overly positive consumer climate in KSA. Our private spending proxy (ATM withdrawals, PoS

and e-commerce transactions) gained momentum with growth picking up to 11.7%yoy in April. Meanwhile, the PMI Composite as domestic business climate indicator stabilized at 55.7 in May.

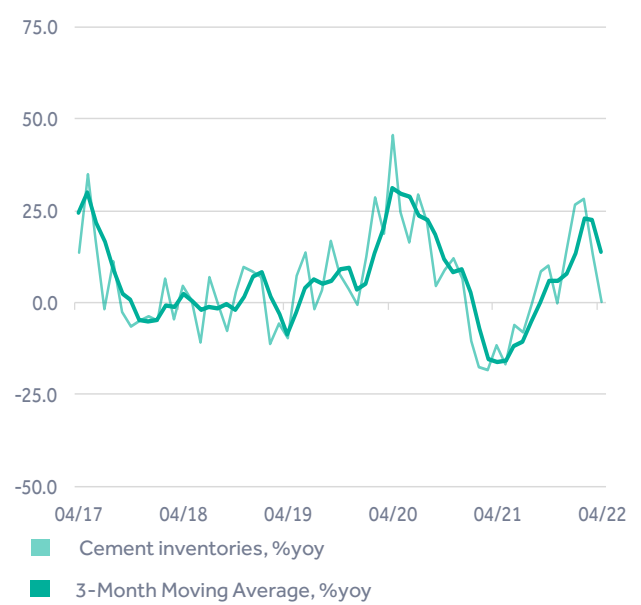
Cement Sector and Non-oil Exports and Imports

Figure 1:
Cement Production



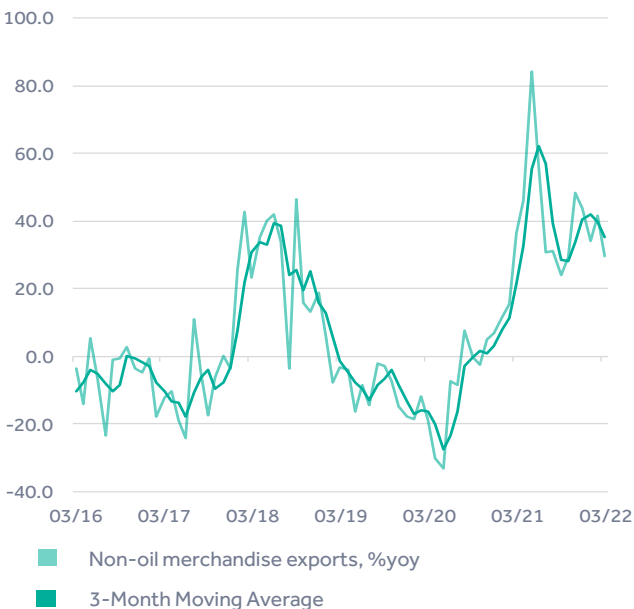
source: Yamama Cement

Figure 2:
Cement Inventories



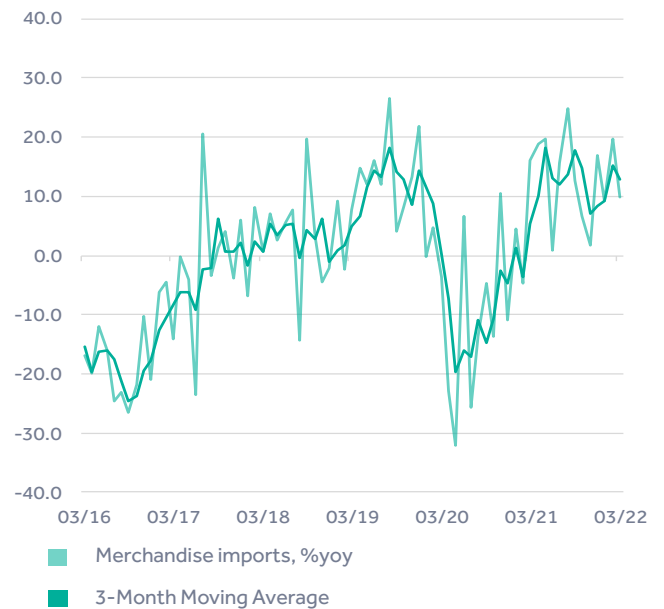
source: Yamama Cement

Figure 3:
Non-Oil Merchandise Exports



source: GASTAT

Figure 4:
Merchandise Imports



source: GASTAT

Cement production recovered to flat yearly growth in April, after having contracted since June 2021. Accordingly, cement inventories were unchanged in a yearly comparison in April, after a substantial in-

crease in the months before. However April figures are most probably also affected by the seasonality of Ramadan. Meanwhile, non-oil exports still grow at a healthy rate of 30%yoy in March of this year.

Consumer and Wholesale Price Inflation

Figure 1:
Consumer Price Inflation All Items



Figure 2:
Consumer Price and Wholesale Price Inflation

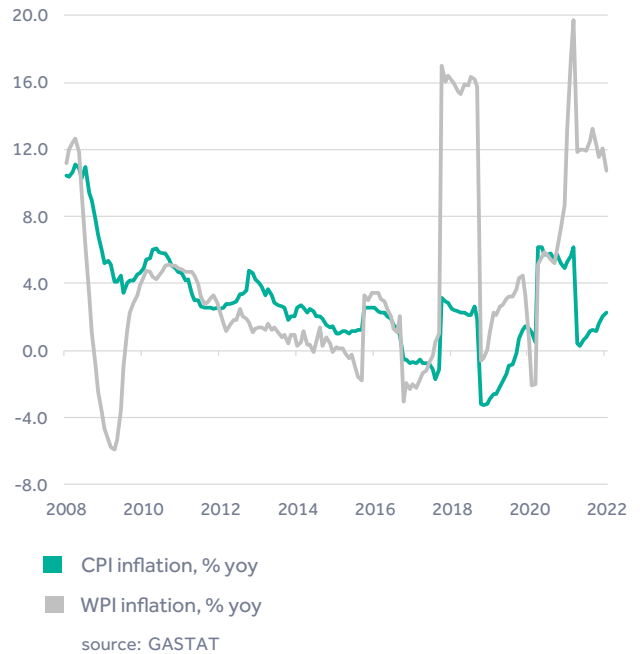


Figure 3:
CPI Inflation Food & Housing

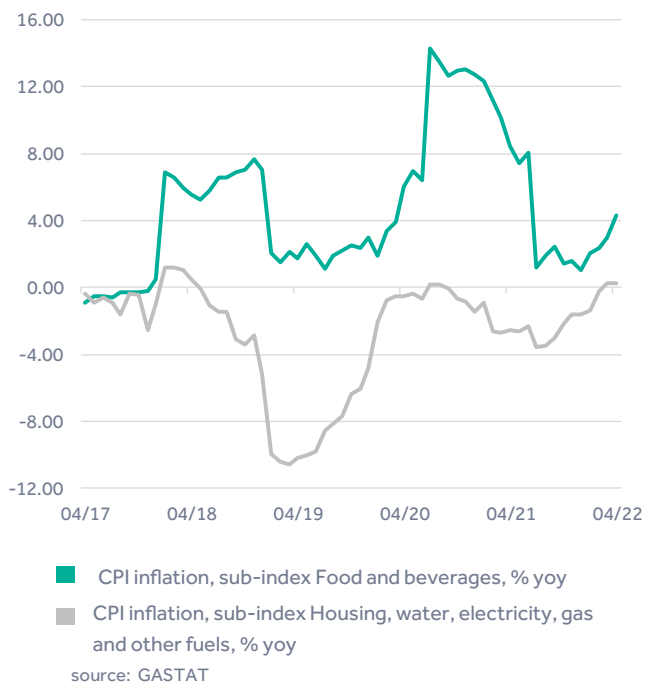
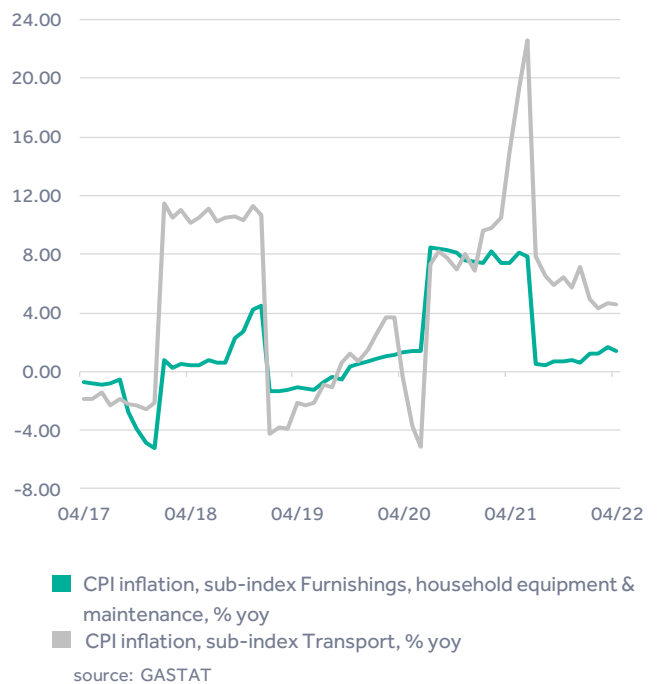


Figure 4:
CPI Inflation Furnishings & Transportation

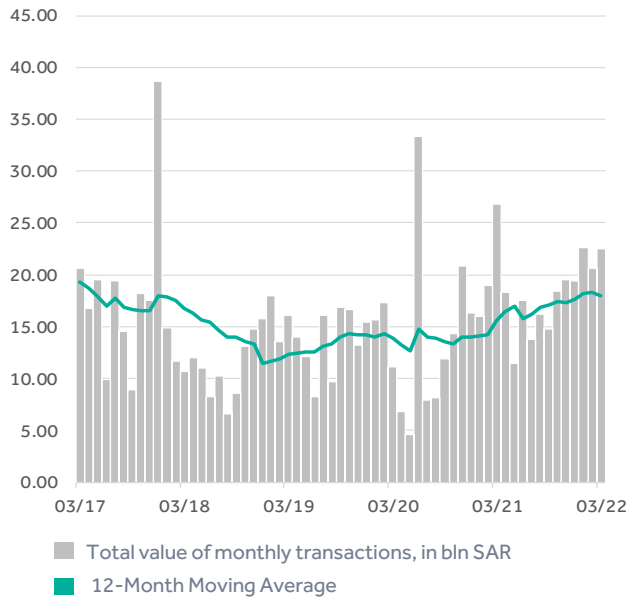


Saudi CPI inflation has continuously picked up since its low in August 2021 at 0.3%, reaching 2.3% this April. A key driver for this rebound has been food inflation with the food&beverages sub-index climb-

ing to 4.3% in April. Besides, after 18 months housing inflation finally turned positive again in March and April, primarily due to rental prices as the single most important item recovering over this period.

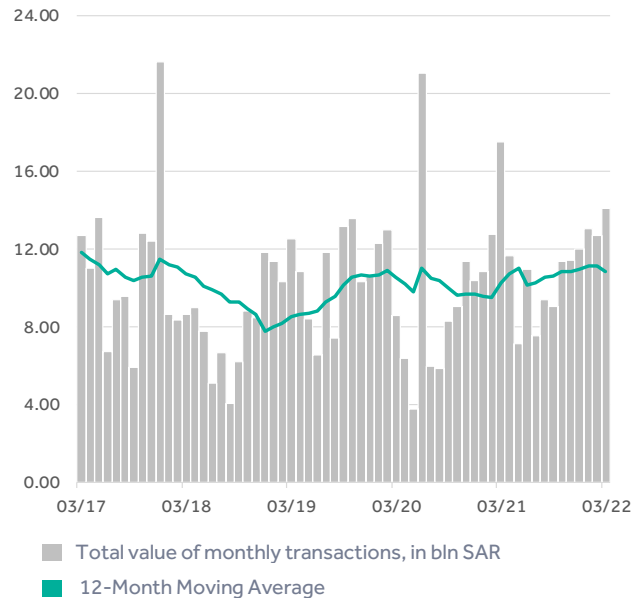
Real Estate Market: Transaction Activity

Figure 1:
Monthly Real Estate Transactions Overall Country



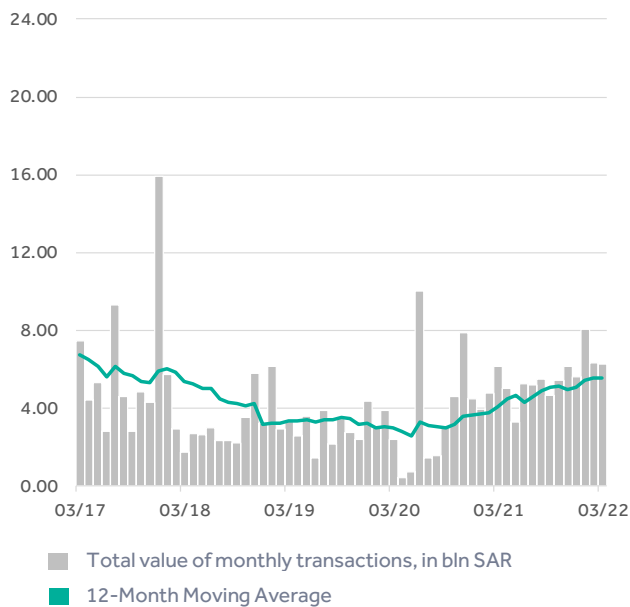
source: MOJ, RC

Figure 2:
Monthly Residential Real Estate Transactions



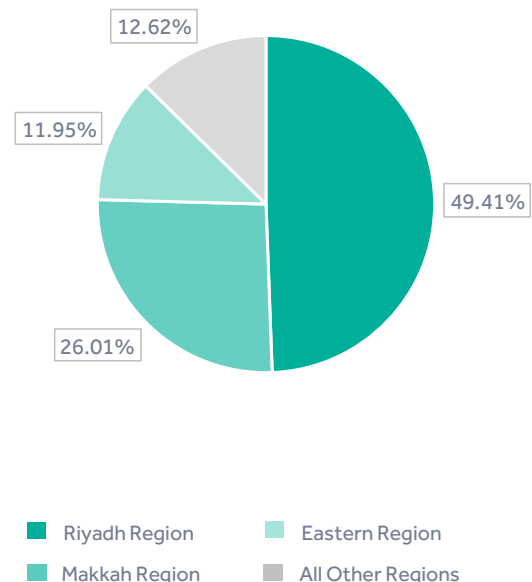
source: MOJ, RC

Figure 3:
Monthly Commercial Real Estate Transactions



source: MOJ, RC

Figure 4:
Breakdown of Transaction Value by Regions (Q1 2022)



source: MOJ, RC

With a transaction volume of 65.8bln SAR in Q1 2022, real estate transactions exceeded last year's first quarter value by 6.5%. 60% of these transactions in Q1 2022 can be attributed to the residential

real estate segment. In a geographical breakdown, Riyadh region covers almost 50% of all real estate transactions in KSA in Q1 2022, followed by Makkah region with 26% and Eastern region with 12%.

Real Estate Market: Price Indices

Figure 1:
Residential and Commercial Price Indices

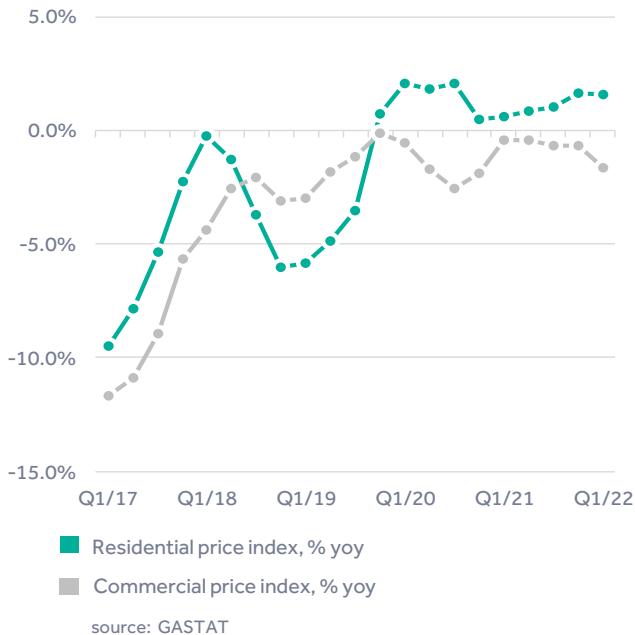


Figure 2:
Residential and Commercial Land Price Indices

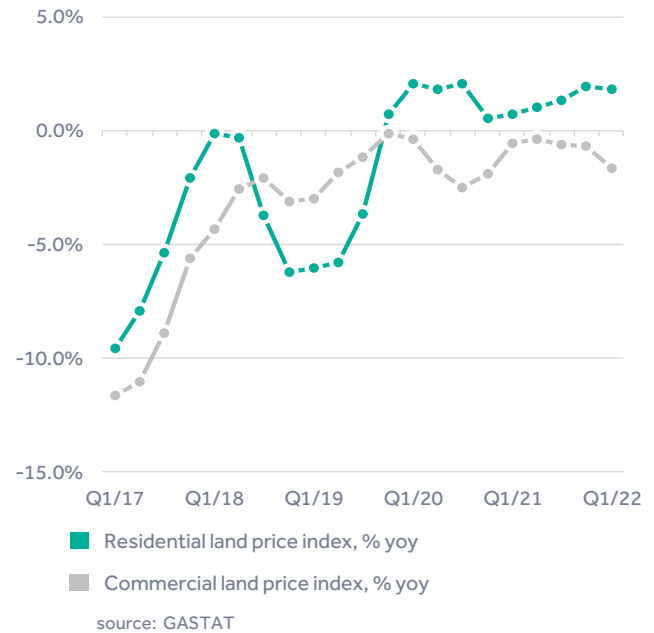


Figure 3:
Residential Villas and Apartments Price Indices



Figure 4:
Commercial Shops and Centers Price Indices

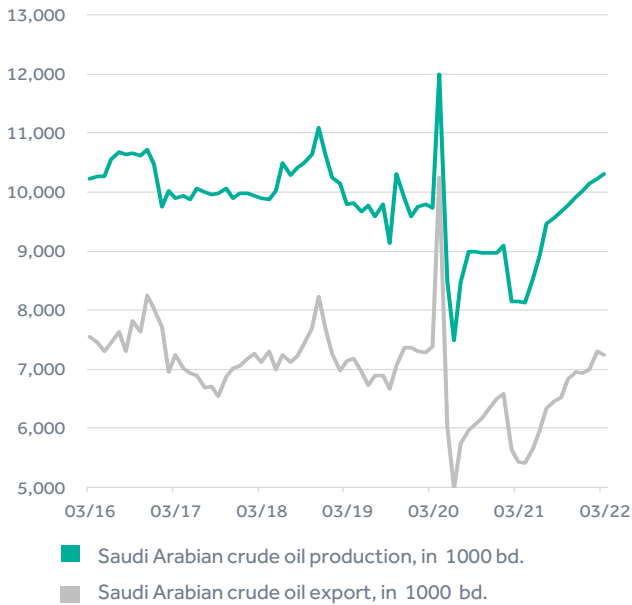


In Q1 2022, residential real estate prices continued their gradual recovery process with a growth rate of 1.6%yoy after 1.7%yoy in the previous quarter. Meanwhile, commercial property prices extended

their decline with -1.7%yoy after -0.7%yoy in Q4 2021. These trends of residential and commercial property prices are essentially driven by the corresponding trends in prices for unused land.

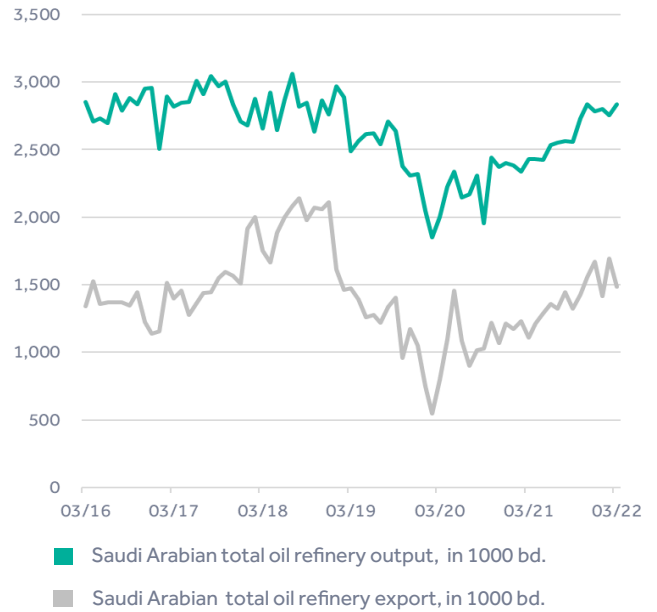
Oil Market Statistics: Production, Exports, Refinery and Prices

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 further increased its crude production in Q1 2022, reaching 10.3 mbd in March, an expansion of 27% in a 12-month comparison. Correspondingly, crude exports reached 7.2 mbd in

March, a yearly growth of 33%. On the back of the Ukrainian conflict, oil prices soared with Brent trading around 120 USD by end of May, an increase of more than 50% since the beginning of the year.

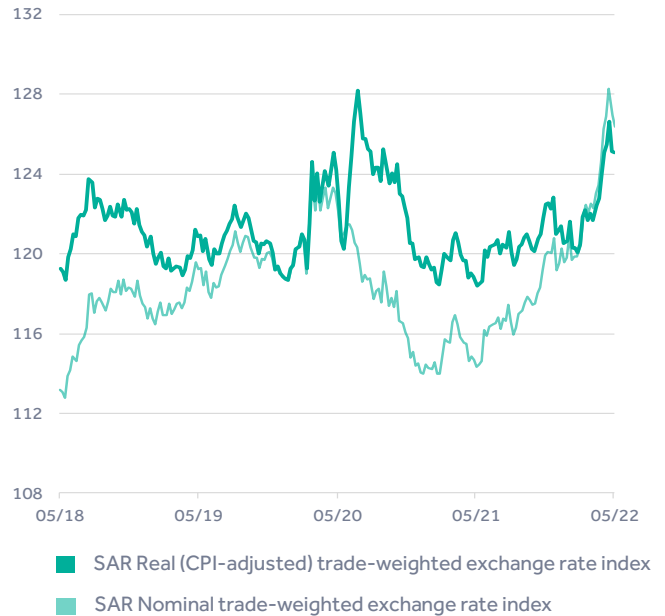
Foreign Exchange and KSA Credit Spread

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



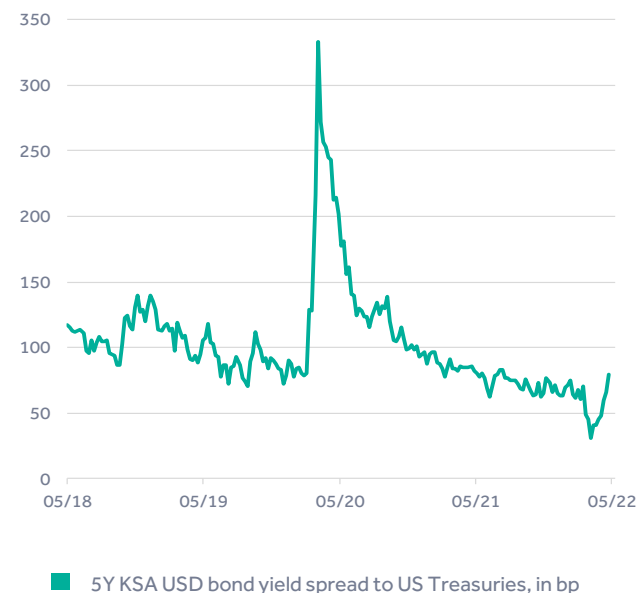
source: Bloomberg

Figure 2:
SAR Nominal and Real Effective Exchange Rate



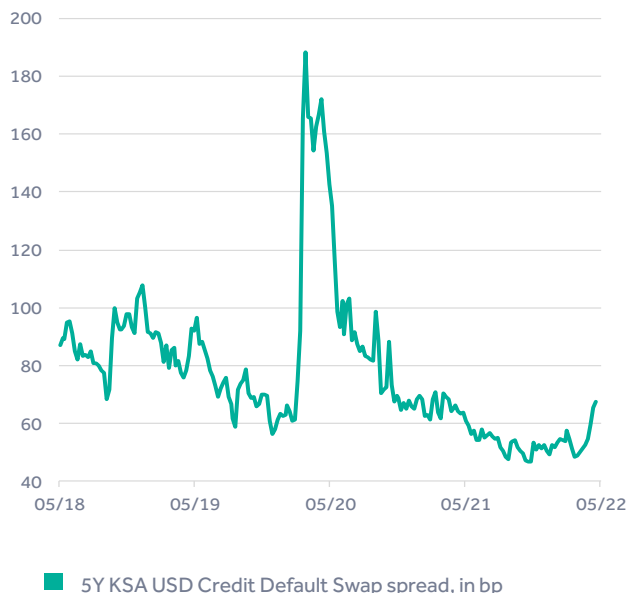
source: Bloomberg, JP Morgan

Figure 3:
KSA USD Bond Yield Spread to US Treasuries



source: Bloomberg

Figure 4:
KSA CDS Spread



source: Bloomberg,

On the back of the extended USD strength, the SAR exchange rate index soared over the last 12 months by 12% in nominal and by 6% in real terms. Meanwhile, the elevated global financial market volatility

in May caused a gradual increase in emerging market risk premia. The KSA sovereign yield spread to US treasuries widened by 47bp and the KSA CDS spread expanded by 20bp since mid of March 2022.

Short-term, Long-term and Official Interest Rates

Figure 1:
3-Months SAIBOR vs. USD LIBOR

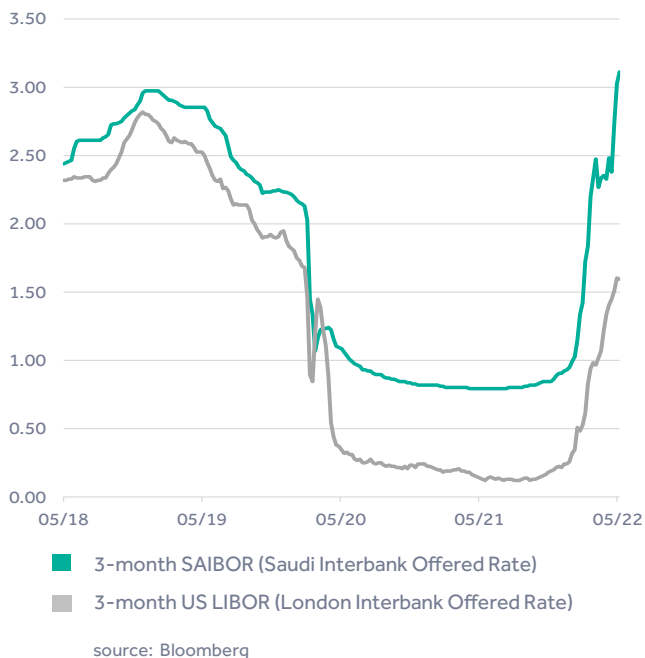


Figure 2:
5-Year Swap Rate SAR vs. USD



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

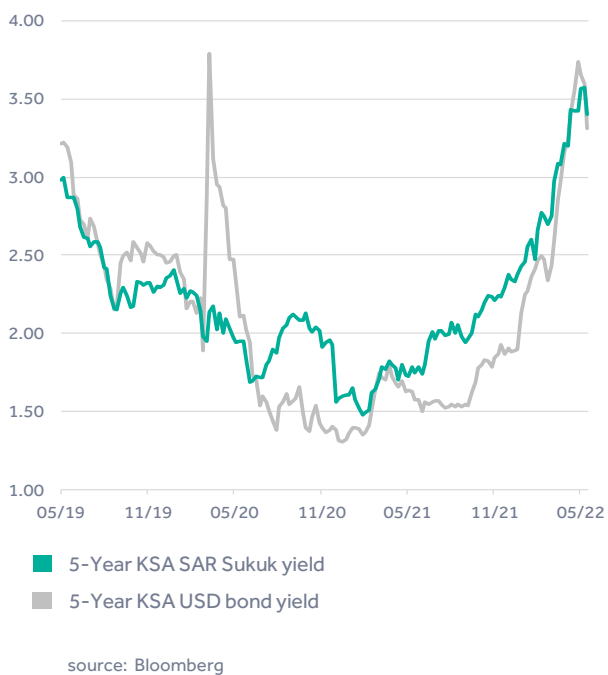
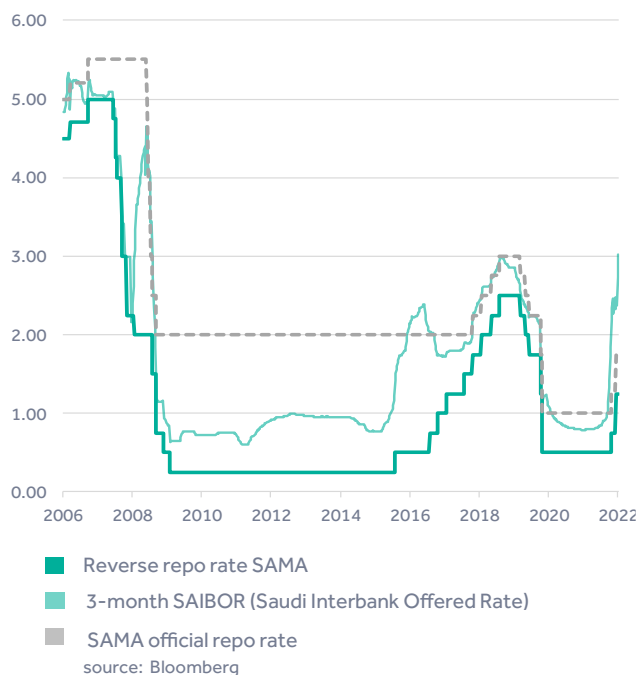


Figure 4:
Central Bank Rate and 3-Months SAIBOR

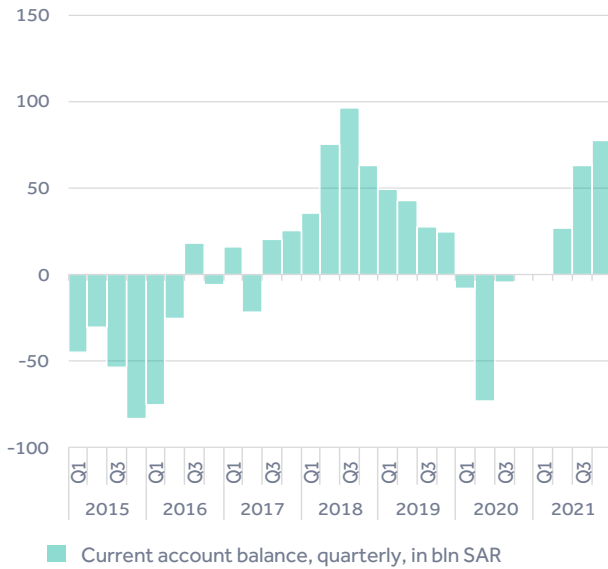


In March and May, SAMA increased its key interest rates twice by overall 75bp, following corresponding steps by the US FED. The expected monetary policy tightening caused interest rates to substantially

pickup at a global scale. This also affected short- and long-term SAR interest rates. 3M SAIBOR jumped by more than 200bp since the beginning of the year, while 5Y SAR Swap rates rose by more than 140bp.

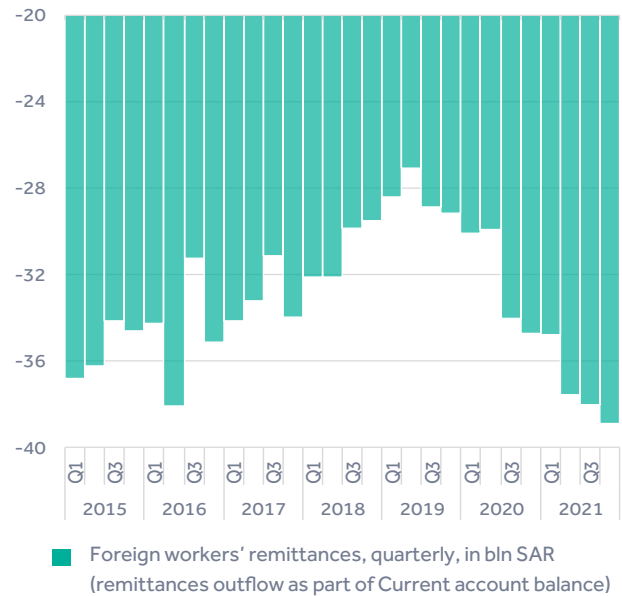
Saudi Balance of Payments

Figure 1:
Current Account Balance



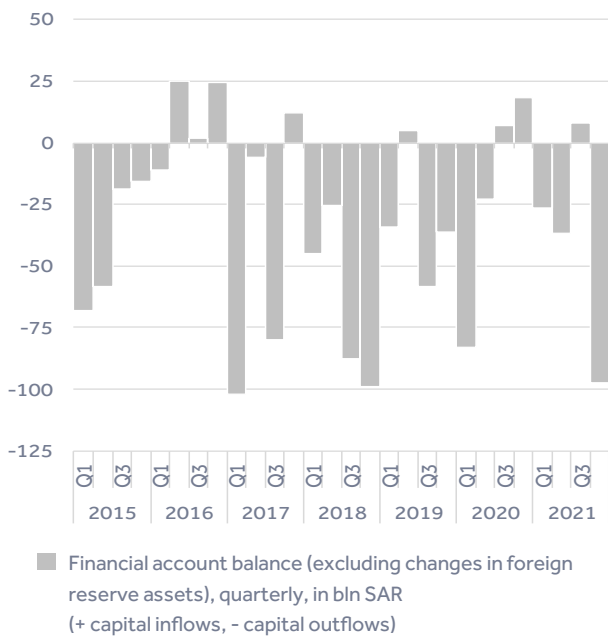
source: SAMA

Figure 2:
Foreign Workers' Remittances



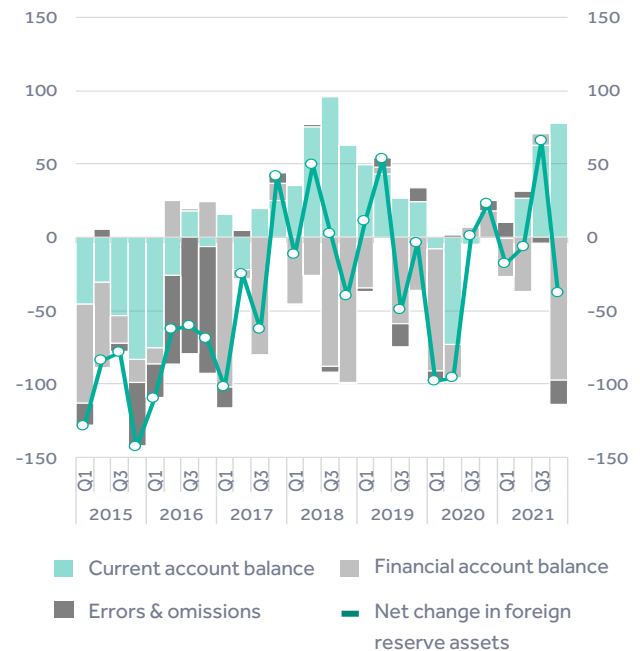
source: SAMA

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 massively improved current account balance throughout the year 2021 with an annual surplus of 166 bln SAR. The financial account balance

(excluding changes in official reserves) witnessed a substantial outflow of -99bln SAR in Q4 which led to an annual deficit of -153 bln SAR. As a consequence, official foreign reserves marginally rose in 2021.

Tadawul: Saudi Equity Market Statistics

Figure 1:
Tadawul All-Share Index

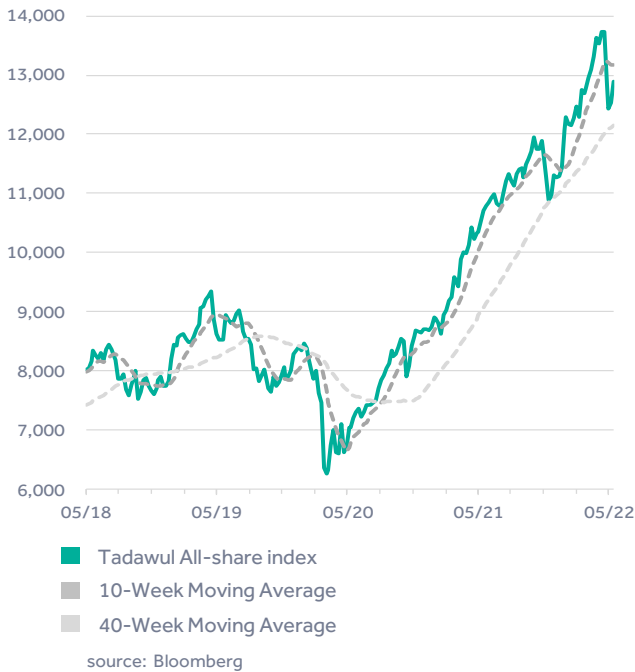


Figure 2:
Tadawul Average Daily Traded Value

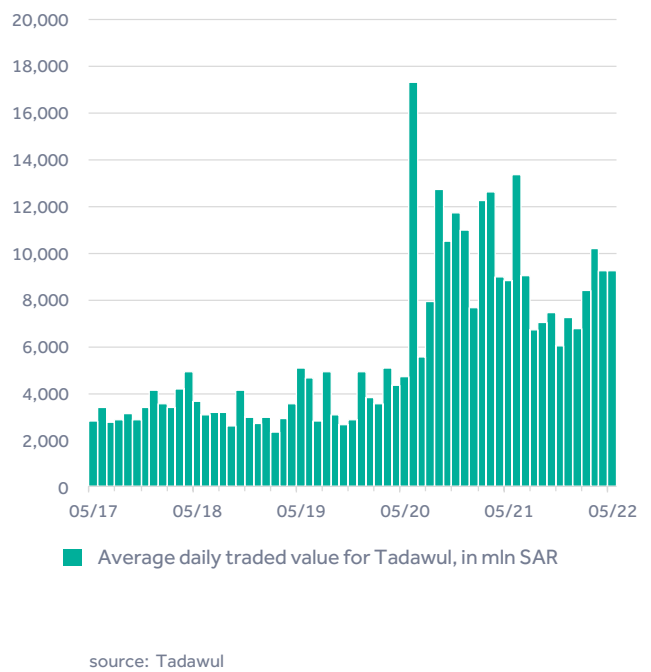


Figure 3:
Monthly Net Purchase by Ownership (in bln SAR)

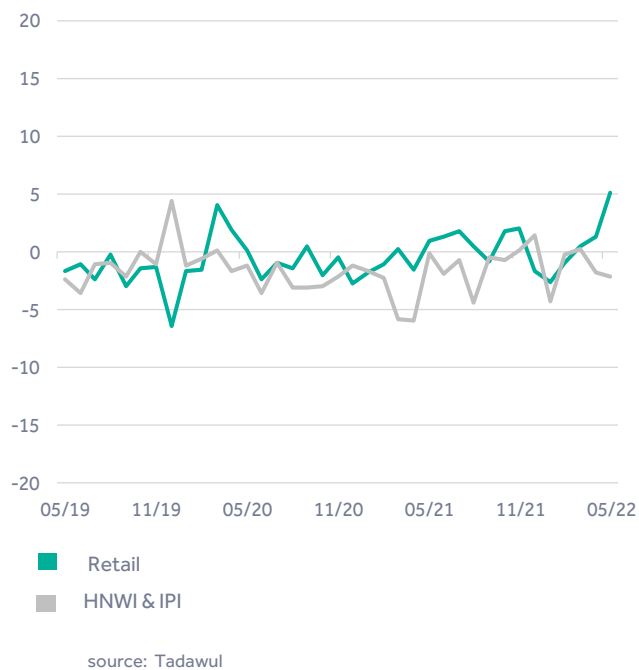
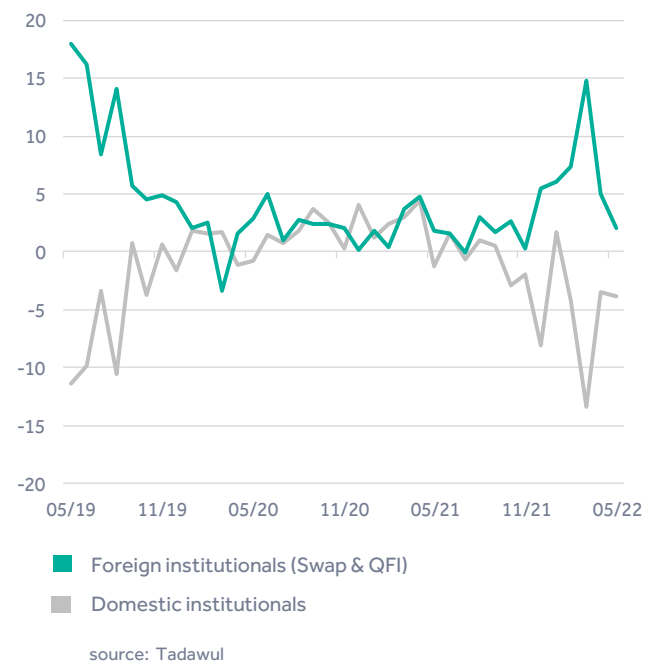


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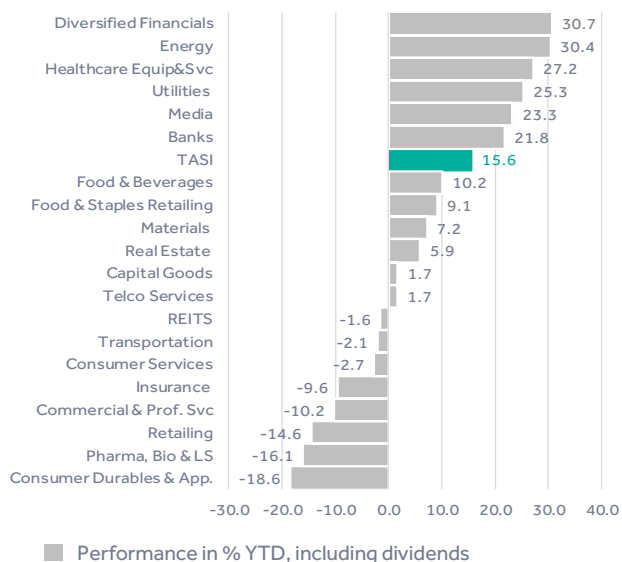


TASI reached a multi-year high of 13820 at the beginning of May before a correction of 12% subsequently kicked in. Average daily traded value established well above 8 bln SAR since February. While

foreign institutional investors had been strong net buyers in the first three months of the year, their buying activity slowed in April and particularly in May alongside domestic institutional investors.

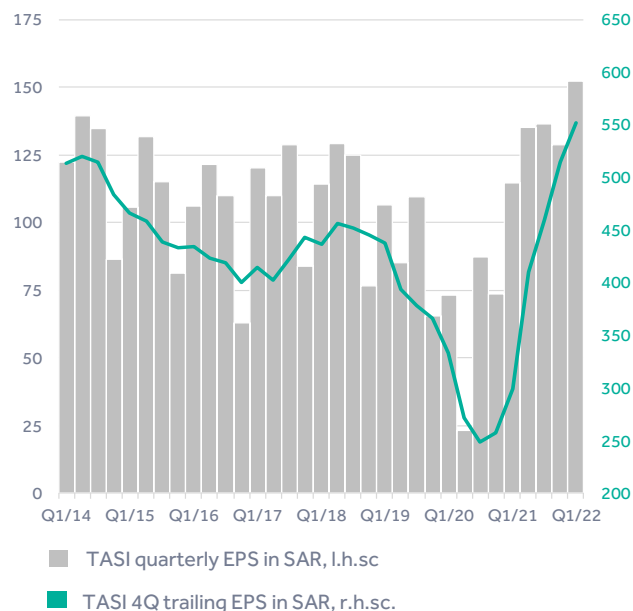
Tadawul: Saudi Equity Market Statistics

Figure 1:
Performance TASI Sectors May 2022YTD



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

So far in 2022, banks as the largest sector of TASI have pushed the market substantially higher, outperforming the index by about 6% until end of May 2022. At the earnings front, Q1 2022 brought a new

record EPS for TASI amounting to 153 SAR. This also helped to contain the valuation multiples of the Saudi equity market, which were further normalized by the correction in the course of May.

Saudi Economic Outlook

In the year 2022, the Saudi economy will be largely driven by a strong rebound of the oil sector. After negative and flat growth contributions in 2020 and 2021, the oil sector economy is expected to expand by a remarkable 15.2% in 2022. For 2023, this growth rate is projected to normalize to 3.3%.

This scenario is based on the assumption that Saudi Arabia will continue to increase its oil production in 2022 with crude oil output to average at 10.6 mbd. For 2023 we expect a further expansion to 10.9 mbd.

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%. For 2023, we forecast the private sector to grow by 3.3%.

For the overall economy, these projections translate into a multi-year peak growth rate of 7.8% for 2022 and of 2.9% in 2023.

We forecast global oil prices to gradually ease in the second half of the year on the back of an expected global economic slowdown. For the full year, we project an average Brent oil price of 101 USD. For next year we forecast oil prices to settle around 87 USD.

Higher oil prices and higher oil production will positively affect the fiscal balance. With fiscal policy focussing on medium-term consolidation, substantially higher oil revenues will result in a fiscal budget surplus of about 7.9% of GDP in 2022 and 5.6% in 2023.

Distinctly higher oil export revenues will also lead to a significant surplus in the current account balance. For 2022, we forecast this surplus to be in the order of 14.8% of GDP, for 2023 of about 11.6% of GDP.

CPI inflation has started to pick up and will continue to rise this year. For the full year, we expect an average rate of 2.3%. In the course of 2023, inflation is projected to gradually ease to 2.0%.

The US Federal Reserve will continue to tighten monetary policy in the course of 2022 and to a lesser extent in 2023. SAMA can be expected to generally follow the FED interest rate policy.

As a consequence, we forecast the Reverse Repo Rate to be lifted to 2.50% and the Official Repo Rate to 3.0% in the next 18 months. 3M SAIBOR is projected to rise to 3.35% by end of 2022 and to 3.50% by end of next year.

Facts and Forecasts at a Glance

	2020	2021	2022f	2023f
Real GDP Growth				
Overall economy	-4.1	3.3	7.8	2.9
Non-oil Private sector	-3.1	6.1	4.1	3.3
Government sector	-0.5	1.5	1.1	1.3
Oil sector	-6.7	0.2	15.2	3.3
Fiscal Balance and Government Debt				
Fiscal Balance in bln SAR	-294	-73	302	207
Fiscal Balance in % GDP	-11.2	-2.3	7.9	5.6
Government debt in bln SAR	854	938	938	938
Government debt as % GDP	34.3	30.0	24.6	25.6
Trade and Current Account Balance				
Trade Balance in bln SAR	180	512	910	767
Trade Balance in % GDP	6.9	16.4	23.9	20.9
Current Account in bln SAR	-86	166	565	425
Current Account in % GDP	-3.3	5.3	14.8	11.6

source: GASTAT, SAMA, RC

	2020	2021	2022f	2023f
Oil Prices and Production (yearly average)				
Brent price (USD pb)	43.3	70.9	101.0	87.0
WTI price (USD pb)	39.4	68.0	99.0	85.0
OPEC Basket price (USD pb)	41.7	69.8	100.0	86.0
KSA oil production (mln bd)	9.2	9.1	10.6	10.9
Inflation and Interest Rates (year end)				
CPI Inflation (yearly average)	3.44	3.06	2.30	2.00
3M SAIBOR SAR	0.82	0.91	3.35	3.50
Reverse Repo Rate	0.50	0.50	2.00	2.50
Official Repo Rate	1.00	1.00	2.50	3.00
Labor Market (yearly average)				
Unemployment rate total in %	7.7	6.7	6.5	6.4
Unemployment rate Saudi in %	13.7	11.3	10.7	10.2
Labor force part. total in %	59.5	61.2	61.9	62.3
Labor force part. Saudi in %	48.8	50.1	51.4	52.2

source: GASTAT, SAMA, Bloomberg, RC

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