



Saudi Economic Chartbook

Third Quarter 2022

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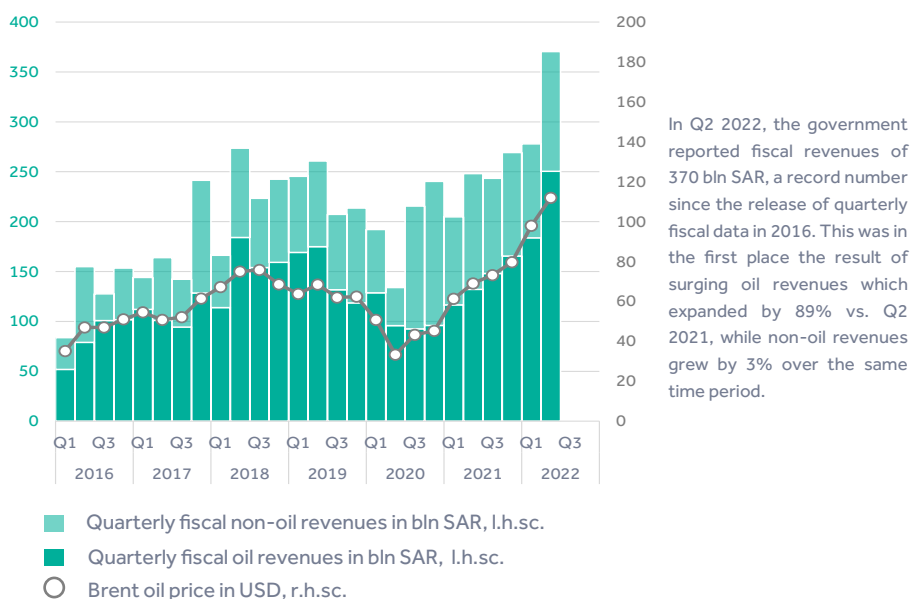
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Surging Oil Revenues Resulting in Strong Fiscal Balance Surplus

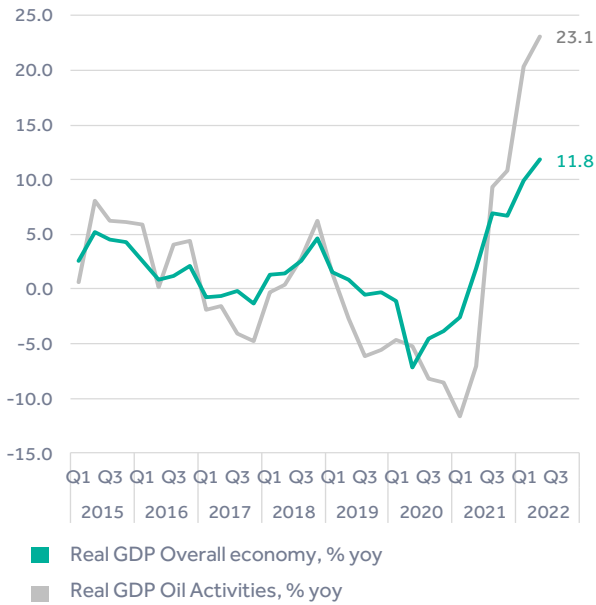
- Based on the latest GDP figures, the Saudi economy recorded a real growth of 11.8%yoy in Q2 2022, the highest quarterly growth rate since 2011. GDP growth is driven by the strong rebound of the oil sector (Q2 23.1%yoy). For the full year 2022 we expect the Saudi economy to expand by 7.8%.
- The business climate in the non-oil economy remains robust with the PMI Composite stabilizing at elevated levels. Meanwhile, most recent readings of the PMI Employment index point towards a sustained improvement of conditions in the local labor market.
- The government reported a fiscal surplus of 78 bln SAR in Q2 2022 and of 135 bln SAR for H1 2022. This is primarily the result of surging oil revenues (see graphic below) with spending remaining largely contained. We expect a fiscal surplus in the order of 7.4% of GDP for the full year 2022.
- Saudi crude oil production reached 10.78 mbd in July, an expansion of 13.8% over the last 12 months. OPEC crude output increased by 8.3% over the same period. For the full year we expect an average Saudi crude oil production of 10.6 mbd, representing a 16.3% growth rate to the previous year.
- SAMA increased its key interest rates by overall 200bp since March, following corresponding steps by the US FED. In June and July, SAMA injected liquidity into the financial system to ease the tight liquidity situation. As a result, the 3M SAIBOR-LIBOR spread dropped from 150bp to 8bp in July.
- After having reached a multi-year high at the beginning of May, TASI was subject to a correction of 20% until mid of July. Since then a strong rebound has kicked in. Meanwhile, strong earnings growth and the most recent market correction lead to a further normalization in TASI valuation metrics.

Surging Oil Revenues Leading to Record Fiscal Revenues



Gross Domestic Product (GDP) Overall Economy and Institutional Sectors

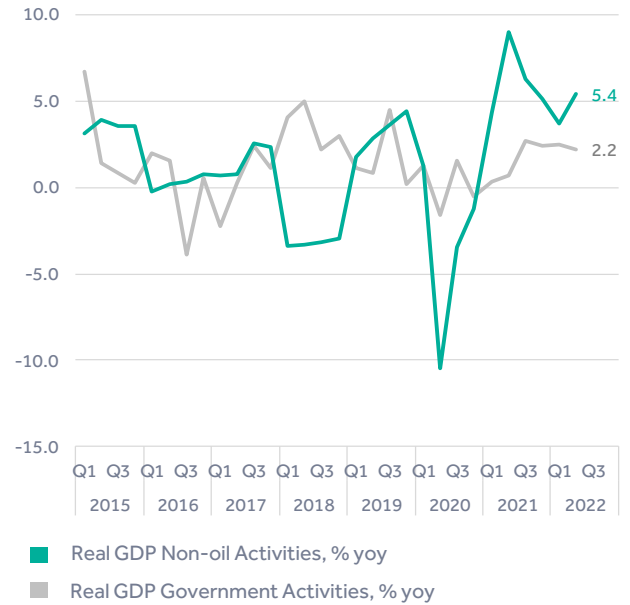
Figure 1:
GDP YoY: Overall Economy and Oil Activities



(Q2 2022 flash estimate)

source: GASTAT

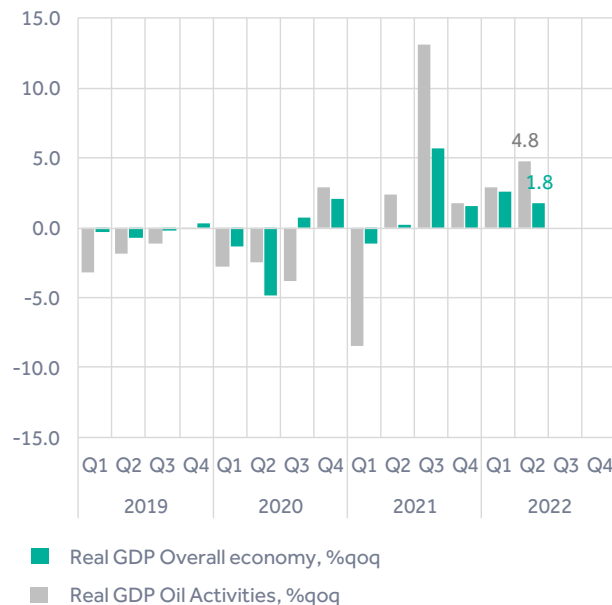
Figure 2:
GDP YoY: Non-Oil Activities and Government Activities



(Q2 2022 flash estimate)

source: GASTAT

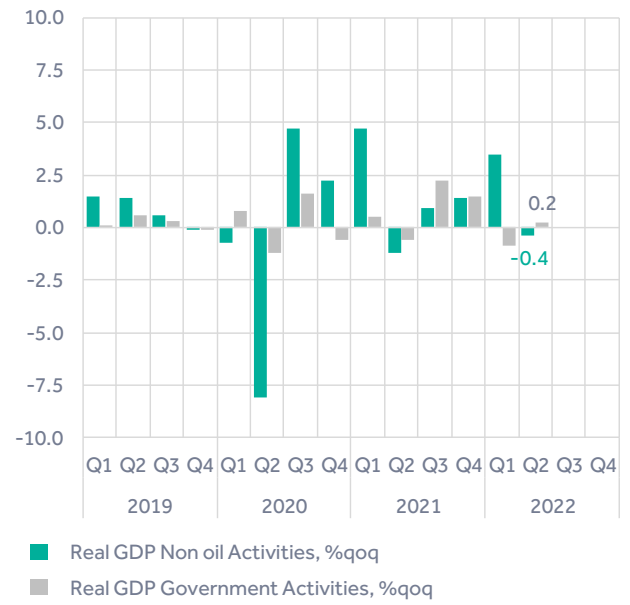
Figure 3:
GDP QoQ: Overall Economy and Oil Activities



(Q2 2022 flash estimate)

source: GASTAT

Figure 4:
GDP QoQ: Non-Oil Activities and Government Activities



(Q2 2022 flash estimate)

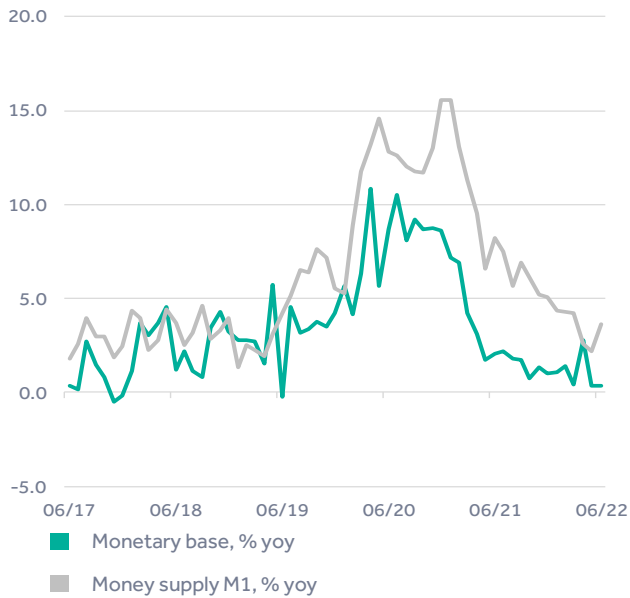
source: GASTAT

Based on the latest GDP figures, the Saudi economy recorded a real growth of 11.8%yoy in Q2 2022, the highest growth rate since Q3 2011. Economic growth has been driven by a strong oil sector which

expanded by an impressive 23.1%yoy in Q2, which most probably constitutes peak growth for 2022. Meanwhile, non-oil activities' growth accelerated to 5.4%yoy after 3.7%yoy in the previous quarter.

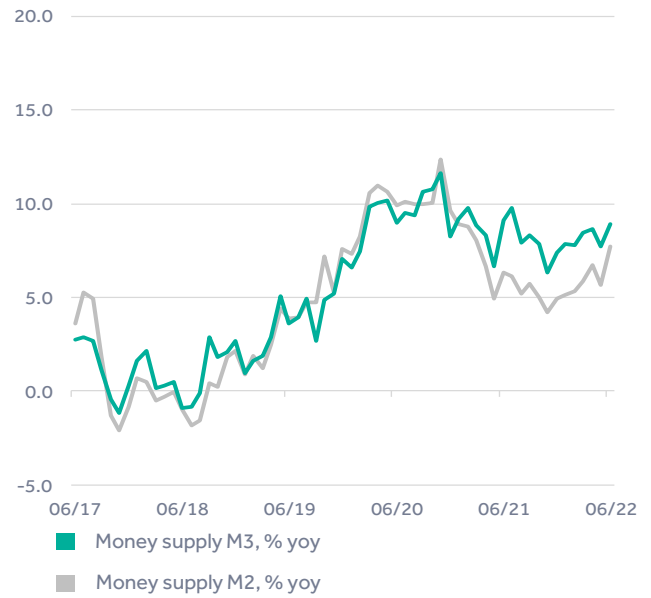
Monetary Aggregates, Credit and Commercial Banks' Deposits

Figure 1:
Growth Rate Monetary Base and Money Supply M1



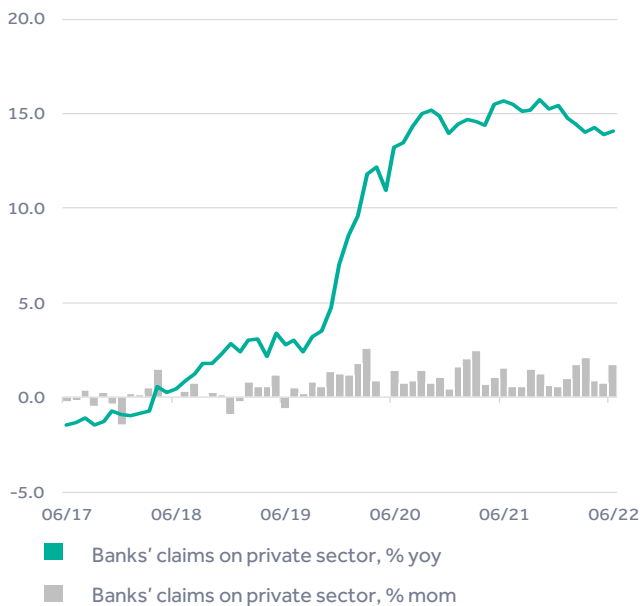
source: SAMA

Figure 2:
Growth Rate Money Supply M2 and M3



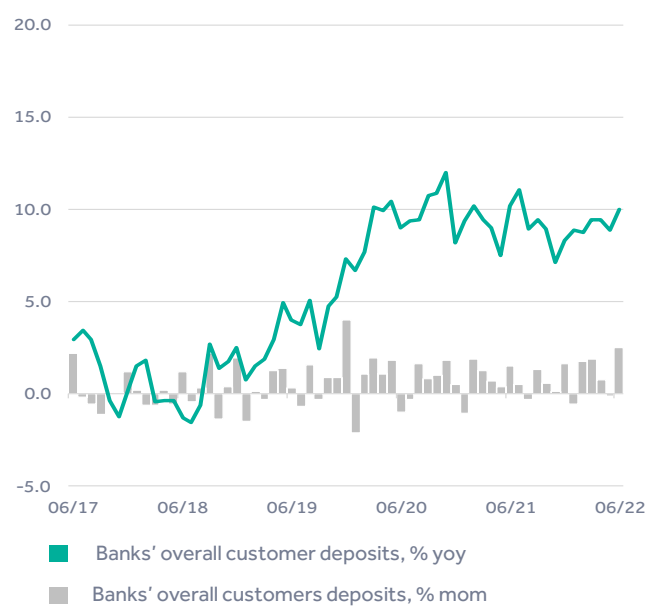
source: SAMA

Figure 3:
Growth of Credit to the Private Sector



source: SAMA

Figure 4:
Growth of Commercial Banks' Deposits



source: SAMA

The growth rate of the broader money supply aggregates M2 and M3 further accelerated by mid-year to 7.7%yoy (M2) and 8.9%yoy (M3). This can be explained by a corresponding growth acceleration

of banks' customer deposits to 10.0%yoy in June. Meanwhile, growth of credit to the private sector has consolidated with 14.1%yoy in June after having reached a peak of 15.8% in October 2021.

Commercial Banks Key Ratios

Figure 1:
Private Sector Loan-Deposit-Ratio

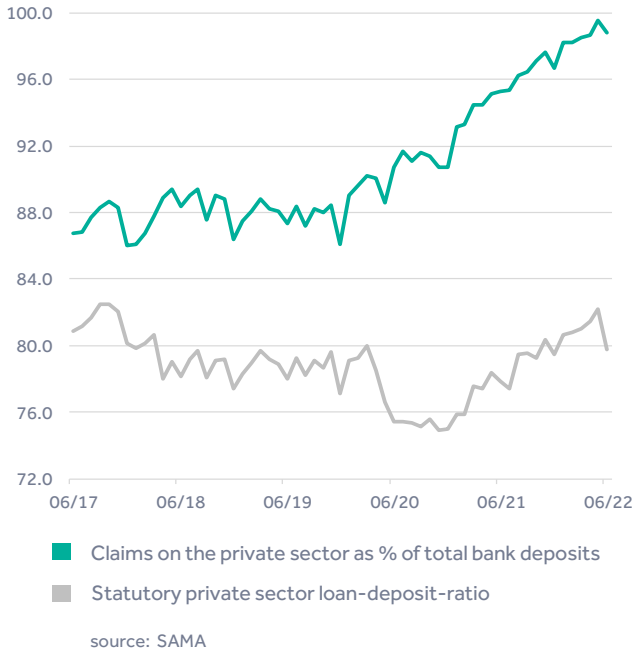


Figure 2:
Government Sector Loan-Deposit-Ratio

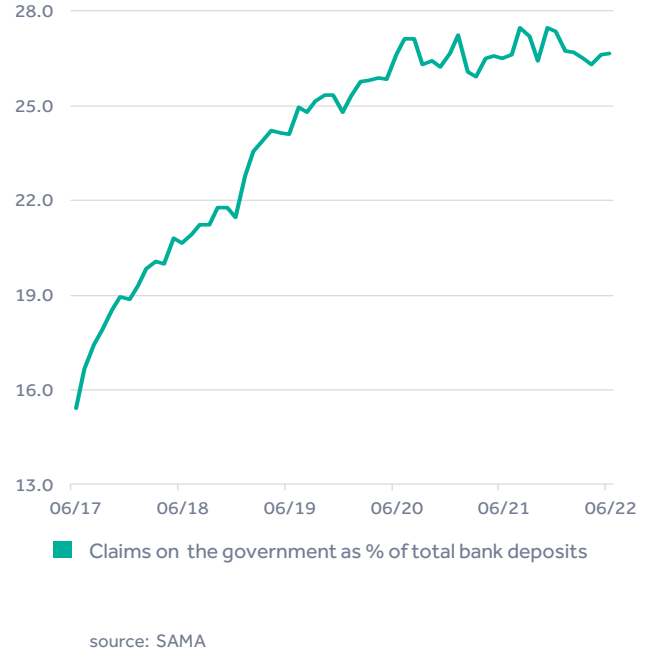


Figure 3:
Foreign Assets to Total Assets Ratio

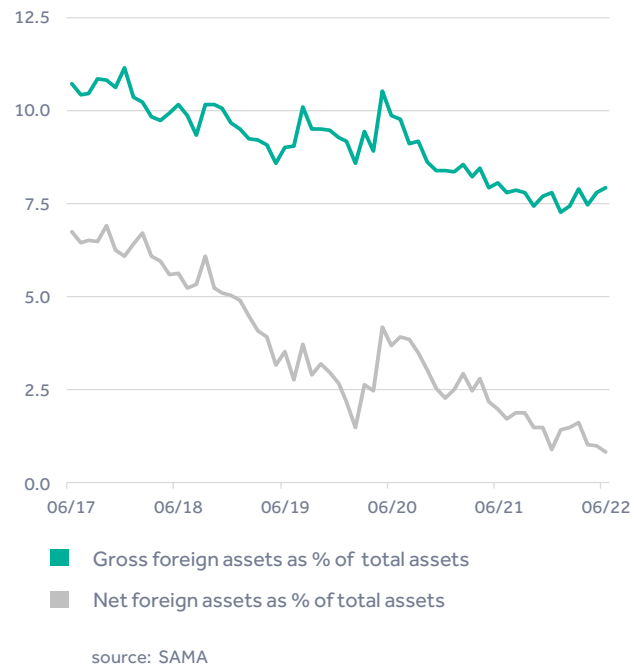
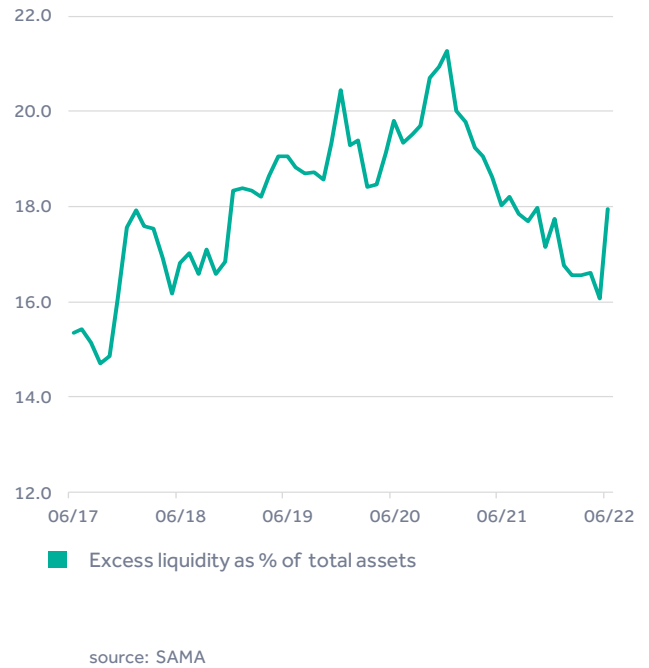


Figure 4:
Excess Liquidity to Total Assets Ratio



In June, SAMA injected liquidity in the banking system through different monetary policy tools in order to ease the tight liquidity situation. This intervention successfully improved the overall liquidity

status for Saudi banks. As a result, the statutory loan/deposit ratio dropped in June from 82.2% to 79.4%, while the excess liquidity ratio of the Saudi banking sector climbed from 16.1% to 17.9%.

SAMA Balance Sheet and Government Deposits

Figure 1:
Foreign Currency Reserves at SAMA

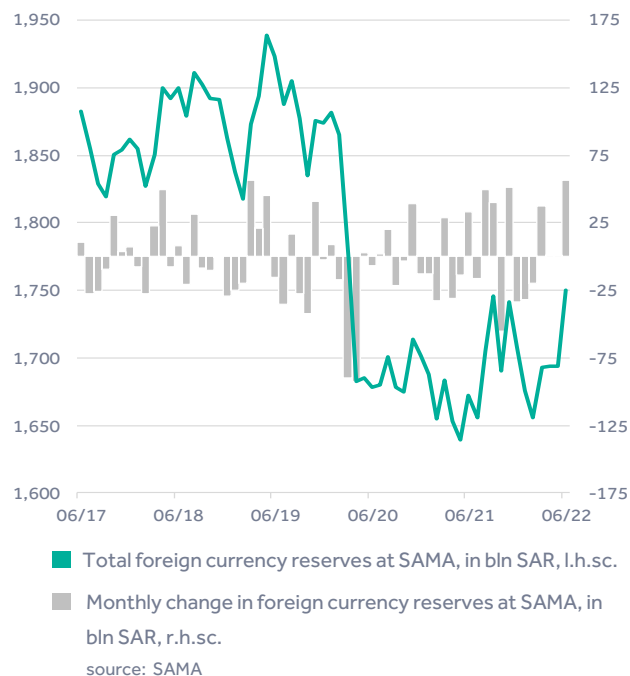


Figure 2:
Government Deposits at SAMA

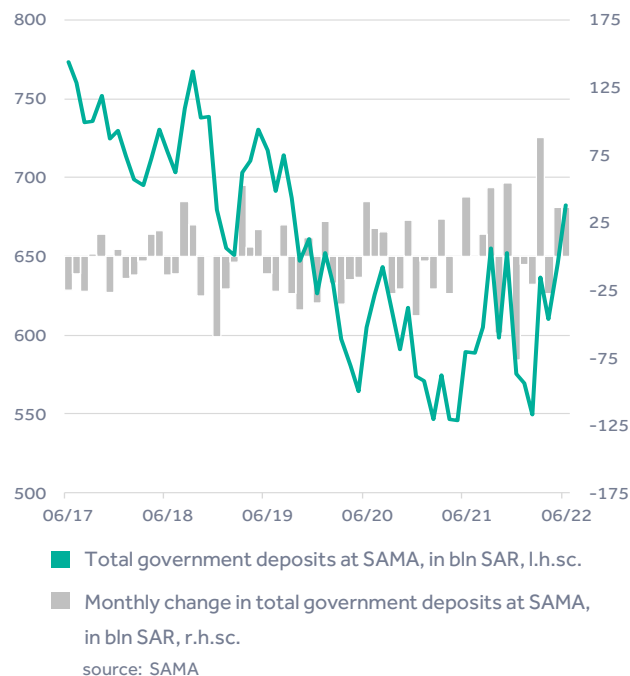


Figure 3:
Breakdown of Foreign Currency Reserves at SAMA

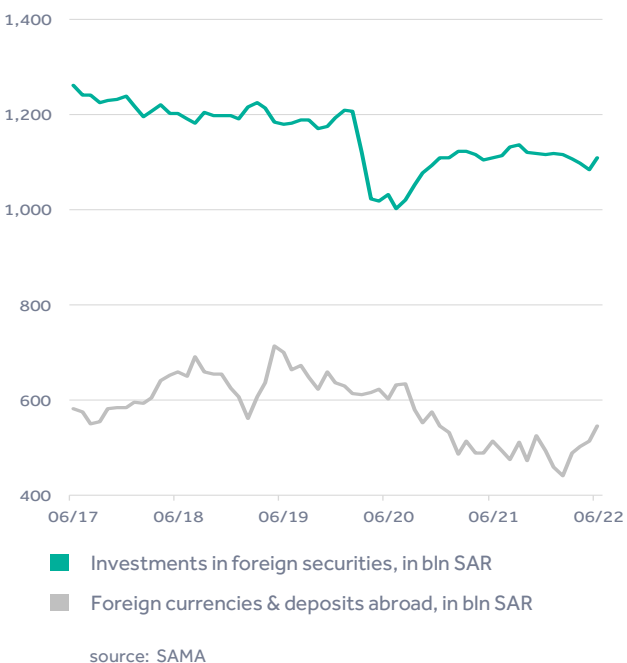
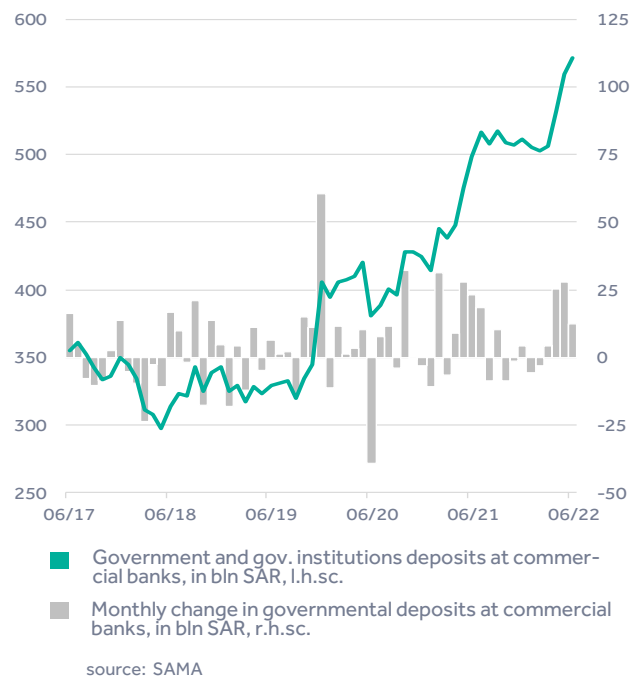


Figure 4:
Government Deposits at Commercial Banks

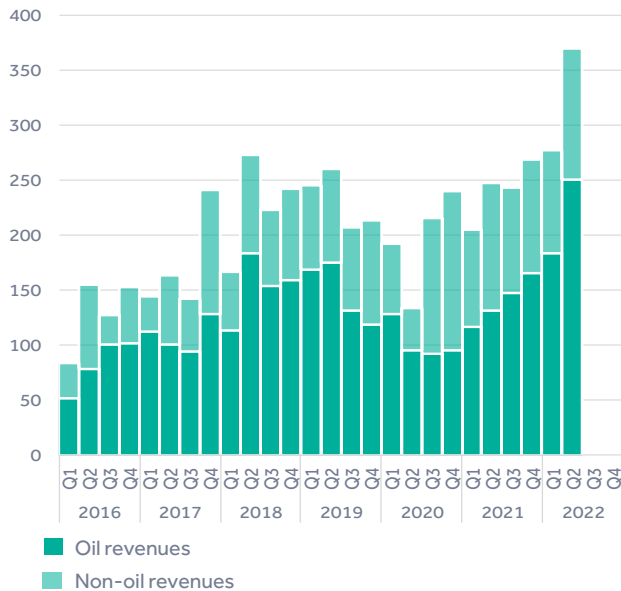


After some outflow in the first two months of the year, SAMA reserves subsequently climbed from February to June by 94 bln SAR. Similarly, government accounts at SAMA increased by 133 bln SAR

over the same period. Government institutions' deposits at commercial banks rose by 65 bln SAR from March to June, which also helped to ease the tight liquidity situation in the banking sector.

Quarterly Fiscal Balance and Outstanding Government Debt

Figure 1:
Quarterly Fiscal Revenues (in bln SAR)



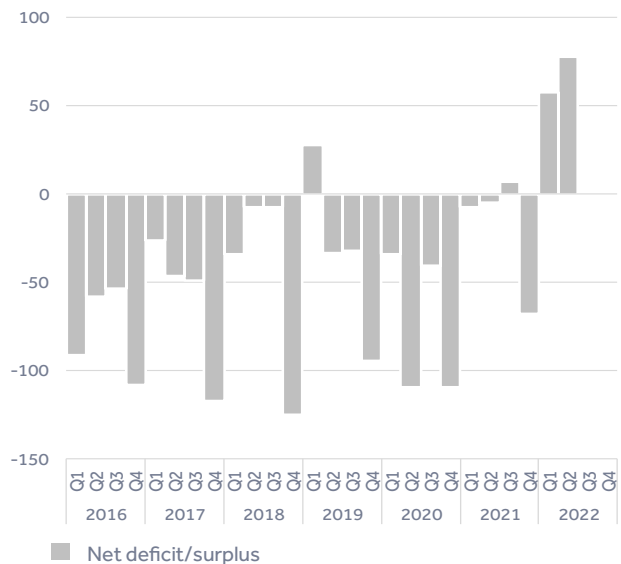
source: MoF

Figure 2:
Quarterly Fiscal Expenditure (in bln SAR)



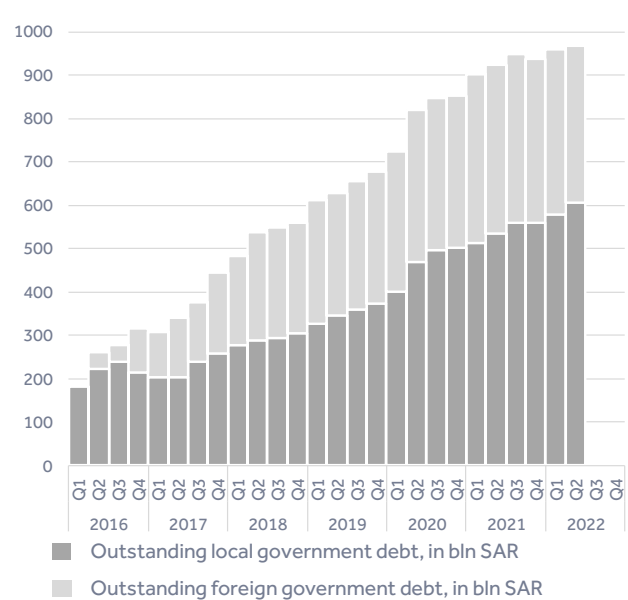
source: MoF

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



source: MoF

Figure 4:
Outstanding Government Debt (End of Quarter)



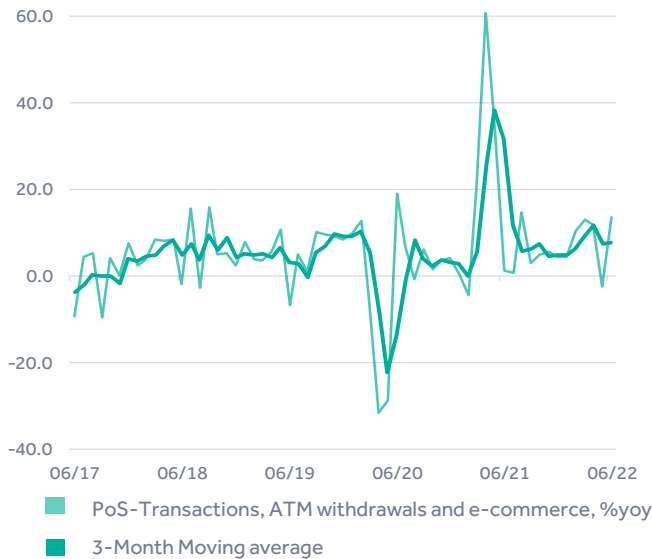
source: MoF

The government reported a fiscal surplus of 78bln SAR for Q2 2022. This surplus was primarily the result of soaring oil revenues which caused overall fiscal revenues to end up 49% higher than in Q2

2021, whereas fiscal expenditure increased by a more moderate 16% over the same period. For H1 2022, the fiscal surplus amounts to 135bln SAR. For the full year we expect a surplus of 282 bln SAR.

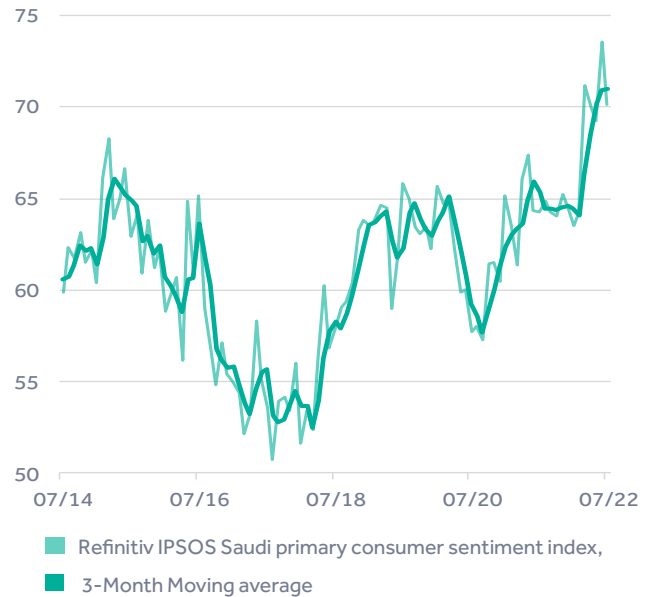
Indicators for Private Spending and Non-Oil Business Climate

Figure 1:
Private Spending Indicator



source: SAMA

Figure 2:
Consumer Sentiment Indicators



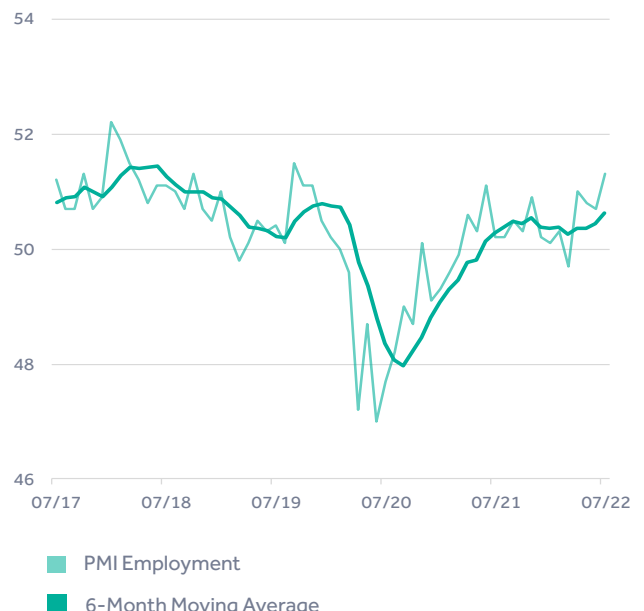
source: Refinitiv,

Figure 3:
Purchasing Manager Index Composite



source: IHS Markit

Figure 4:
Purchasing Manager Index Employment



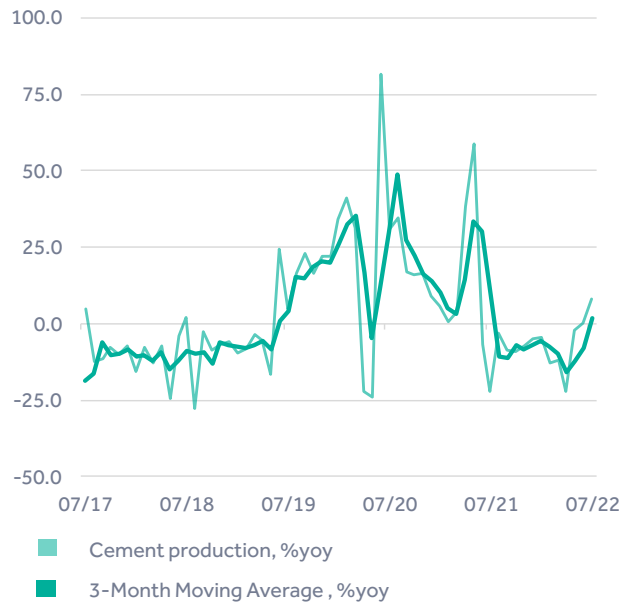
source: IHS Markit

The growth rate of our private spending indicator accelerated in June to 13.4%yoy. Consumer sentiment reached a new all-time high in June before it gradually faltered in July, but still at an elevated level

by historical standards. Besides, PMI Composite consolidates around 56 since February, while the latest readings of the PMI Employment point towards a notable improvement in the labor market.

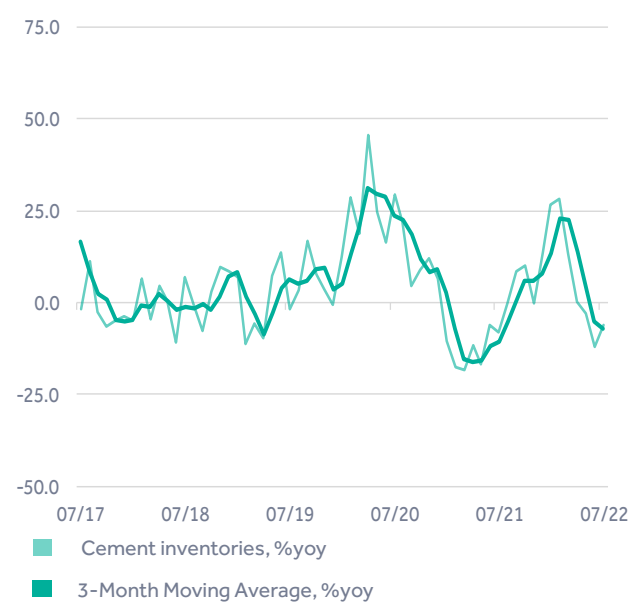
Cement Sector and Non-oil Exports and Imports

Figure 1:
Cement Production



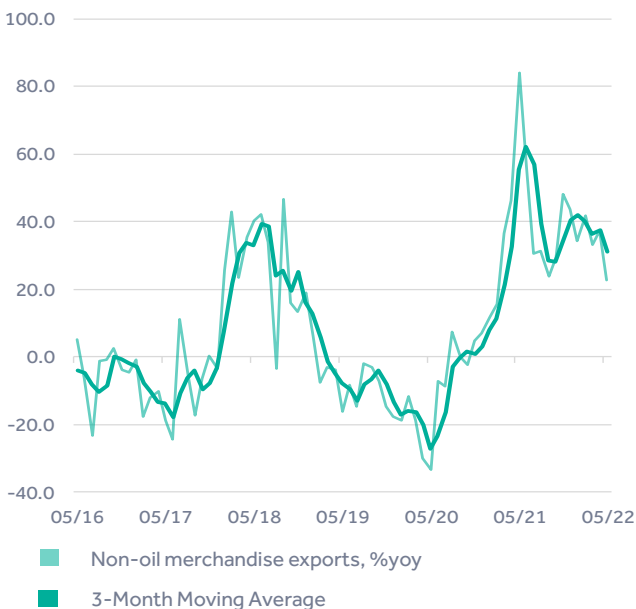
source: Yamama Cement

Figure 2:
Cement Inventories



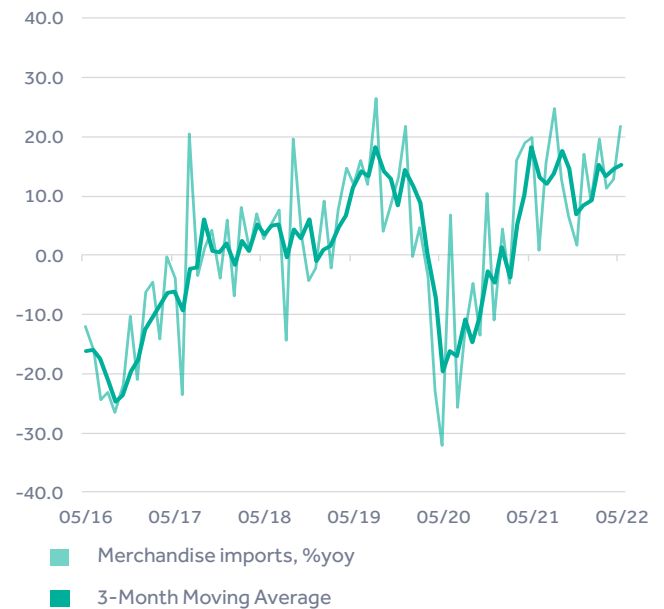
source: Yamama Cement

Figure 3:
Non-Oil Merchandise Exports



source: GASTAT

Figure 4:
Merchandise Imports



source: GASTAT

Cement production recovered with a growth rate of 7.9%yoy in July after having contracted since June 2021. This positive trend is underpinned by cement inventories declining since May. Meanwhile, growth

of non-oil exports declined in May to 23%yoy after a growth rate of 36%yoy in Q1 2022. Import growth for merchandise goods accelerated to 22%yoy after having averaged at 13%yoy in the first quarter 2022.

Consumer and Wholesale Price Inflation

Figure 1:
Consumer Price Inflation All Items



source: GASTAT

Figure 2:
Consumer Price and Wholesale Price Inflation

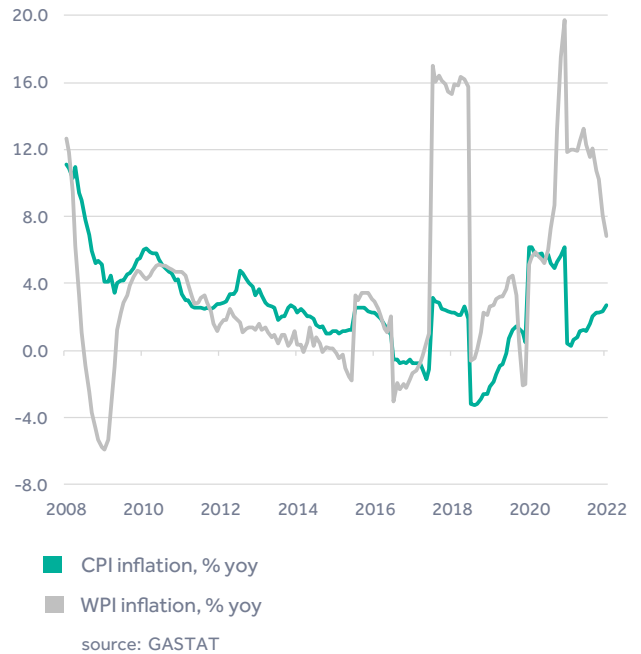
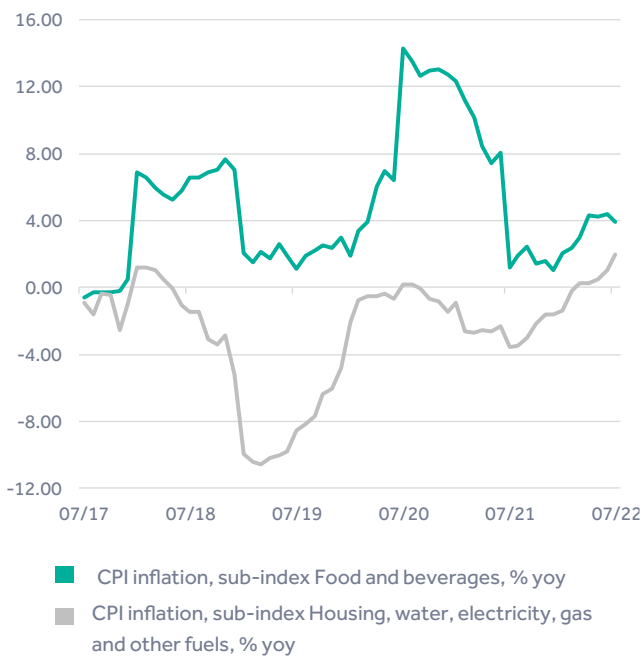
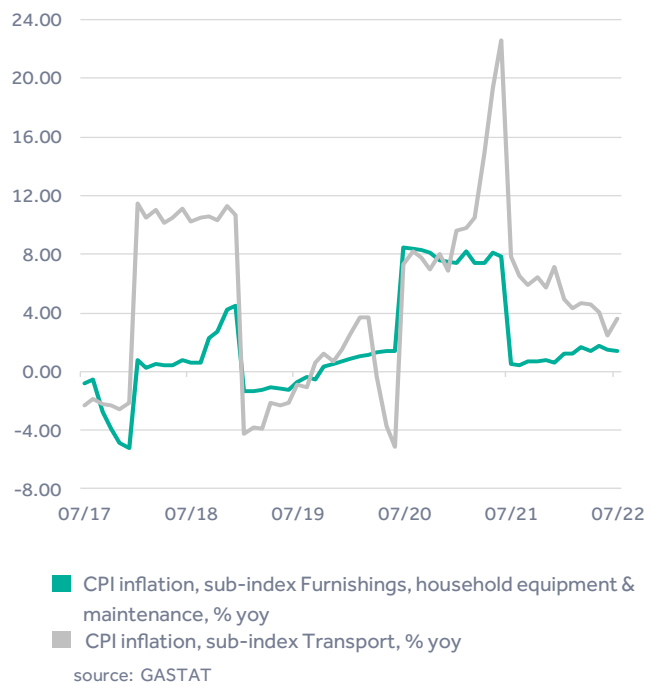


Figure 3:
CPI Inflation Food & Housing



Saudi CPI inflation climbed to 2.7% in July after having stabilized around 2.3% during the second quarter 2022. The main driver for this increase has been the sub-index Housing where rents as the single

Figure 4:
CPI Inflation Furnishings & Transportation



most important item (21% weight in the consumer basket) contributed with a strong increase in July. Meanwhile, the more volatile WPI inflation declined from 11.8% a year ago to 6.8% in July 2022.

Real Estate Market: Transaction Activity

Figure 1:
Real Estate Transactions Total %yoy

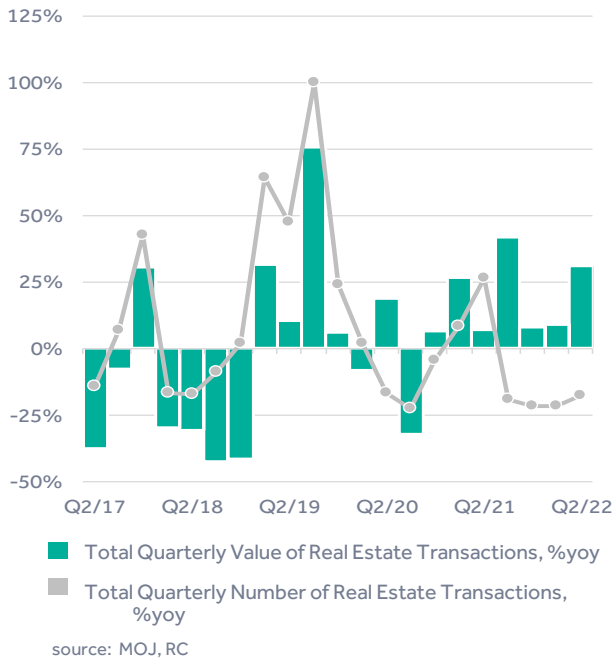


Figure 2:
Real Estate Transactions Residential %yoy

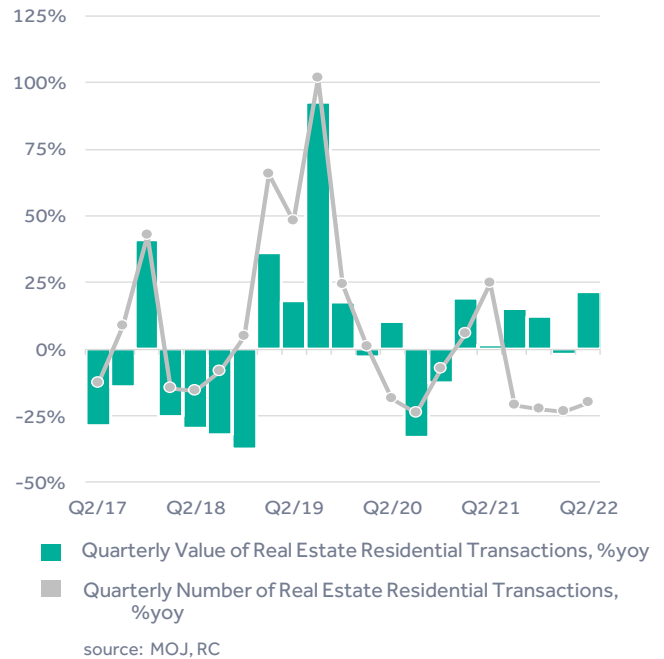


Figure 3:
Real Estate Transactions Commercial %yoy

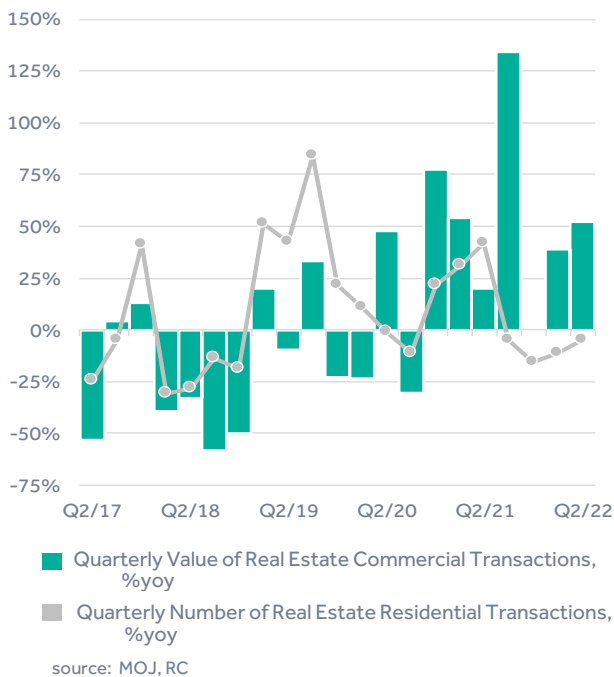
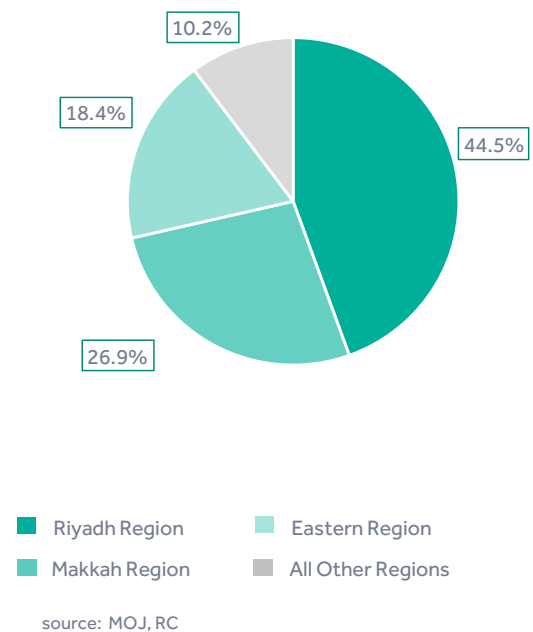


Figure 4:
Breakdown of Transaction Value by Regions (Q2 2022)



The total value of real estate transactions was 31% above the previous year in Q2 2022, while the number of transactions declined by -18%. Particularly the commercial real estate transaction value

jumped by 52%yoy, while the residential transaction value increased by a more moderate 21%yoy. Overall, 45% of the entire transaction value can be attributed to the Riyadh region during Q2 2022.

Real Estate Market: Price Indices

Figure 1:
Residential and Commercial Price Indices

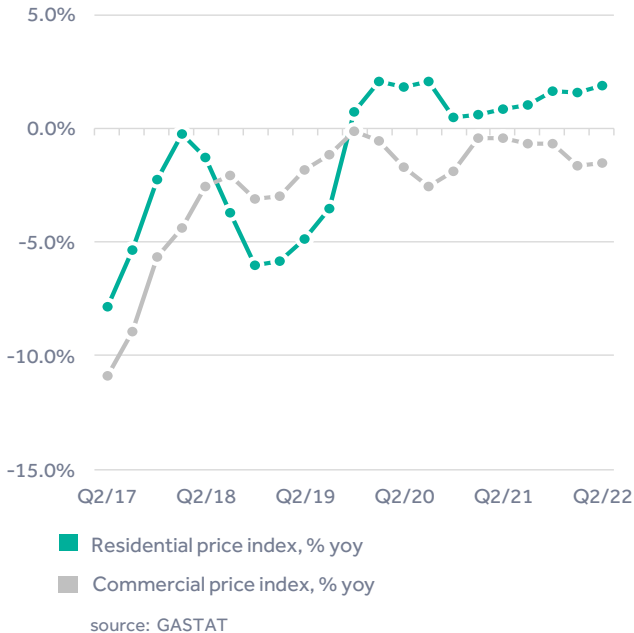


Figure 2:
Residential and Commercial Land Price Indices

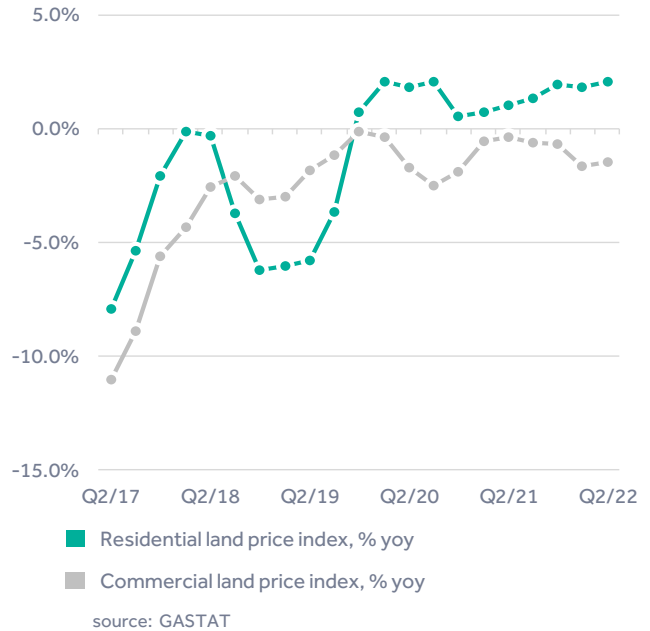


Figure 3:
Residential Villas and Apartments Price Indices



Figure 4:
Commercial Shops and Centers Price Indices



The second quarter 2022 shows a continuation of the general trend with residential property prices moderately advancing by 1.9%yoy, while commercial real estate prices continue to contract, in Q2 by

-1.5%yoy. This is primarily a reflection of the trend in unused land prices for residential and commercial purposes. Prices of residential villas and apartments are still declining, but at a slower pace in Q2 2022.

Oil Market Statistics: Production, Exports, Refinery and Prices

Figure 1:
Saudi Crude Oil Production and Exports

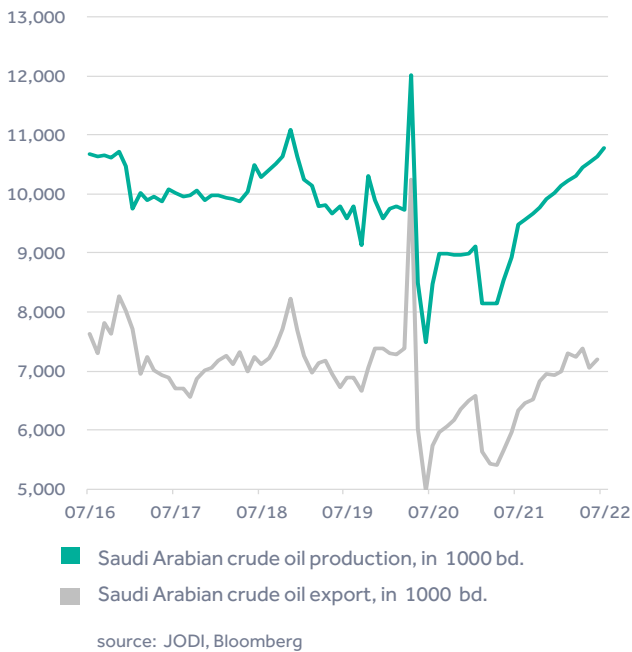


Figure 2:
Saudi Crude Refinery Output and Exports

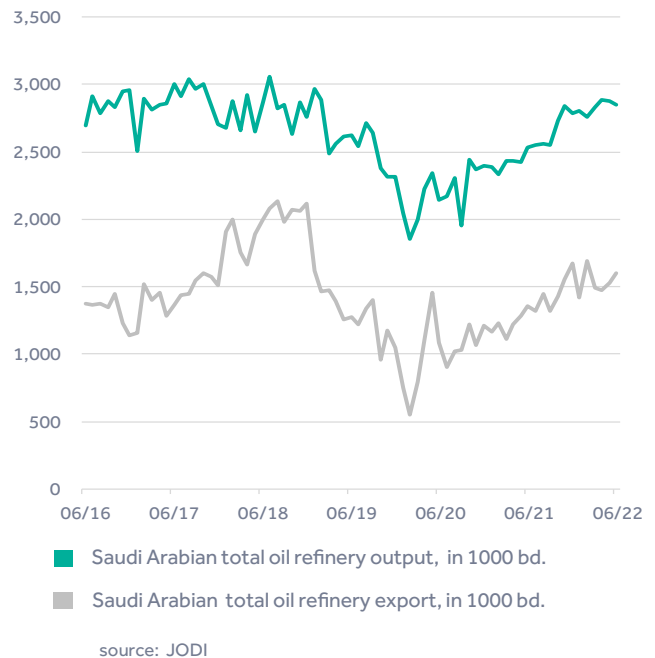


Figure 3:
OPEC Crude Output



Figure 4:
Oil Prices



Saudi Arabia increased its crude production in July 2022 by 180k bd to 10.78 mbd according to secondary sources. This corresponds to a growth rate of 13.8% over the last 12 months. Meanwhile, OPEC

crude output reached 29.05 mbd in July, an increase of 8.3% vs. July 2021. Besides, oil prices most recently declined on the back of an expected global economic slowdown in the second half 2022.

Foreign Exchange and KSA Credit Spread

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



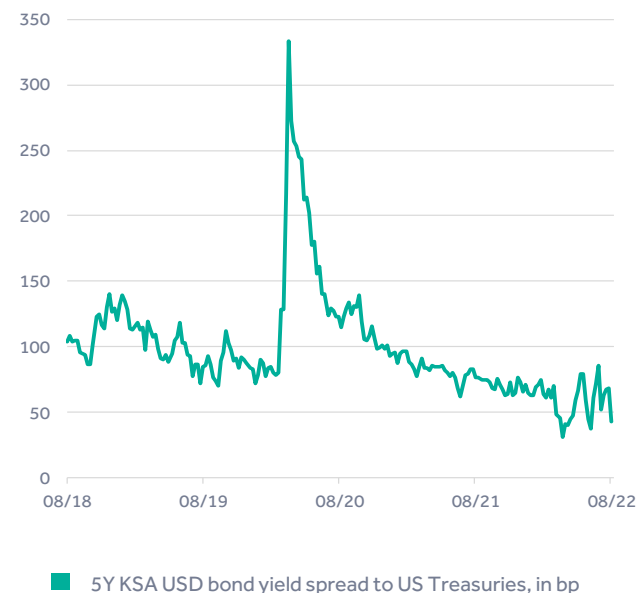
source: Bloomberg

Figure 2:
SAR Nominal and Real Effective Exchange Rate



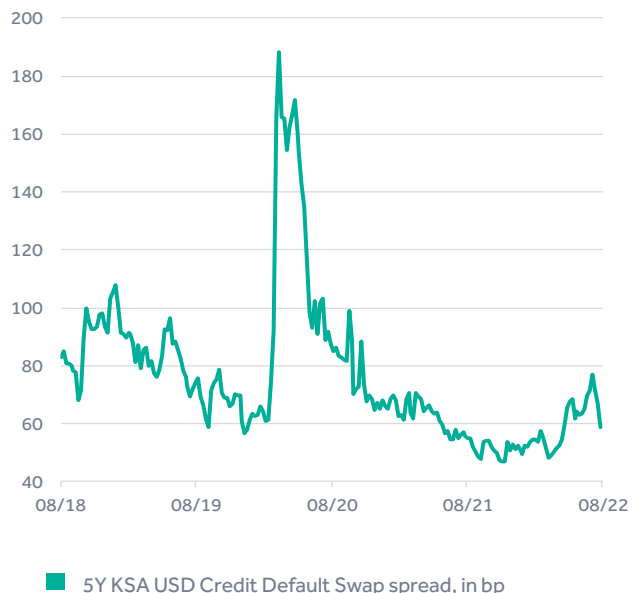
source: Bloomberg, JP Morgan

Figure 3:
KSA USD Bond Yield Spread to US Treasuries



source: Bloomberg

Figure 4:
KSA CDS Spread



source: Bloomberg,

The 12M forward rate USD/SAR most recently dropped almost to the peg level of 3.75, partly induced by the SAMA liquidity injections which caused a SAIBOR-LIBOR spread compression and a USD/

SAR spot price increase. Meanwhile, SAR nominal and real exchange rate index appreciation continued in Q2 2022 and at the beginning of Q3. Besides, KSA sovereign risk premia most recently eased.

Short-term, Long-term and Official Interest Rates

Figure 1:
3-Months SAIBOR vs. USD LIBOR

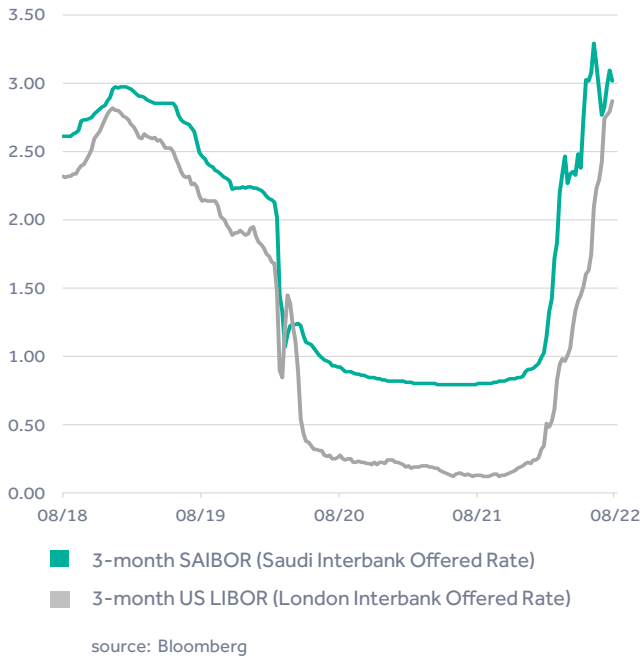


Figure 2:
5-Year Swap Rate SAR vs. USD



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

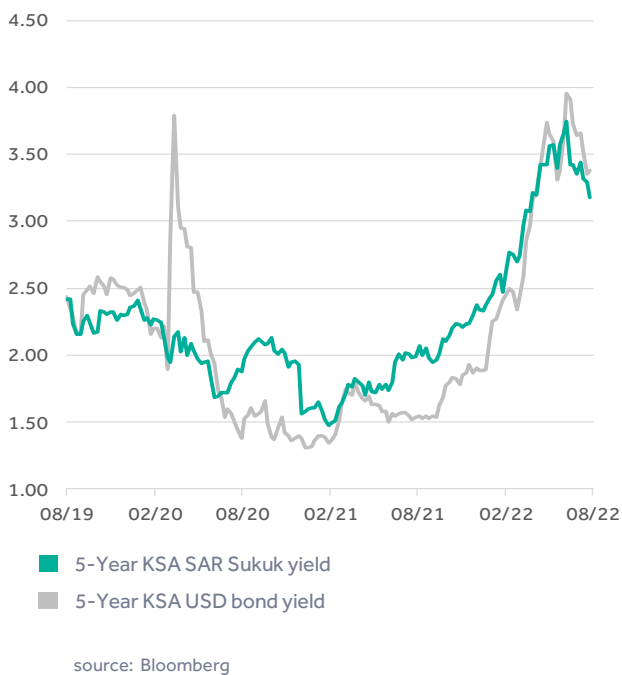
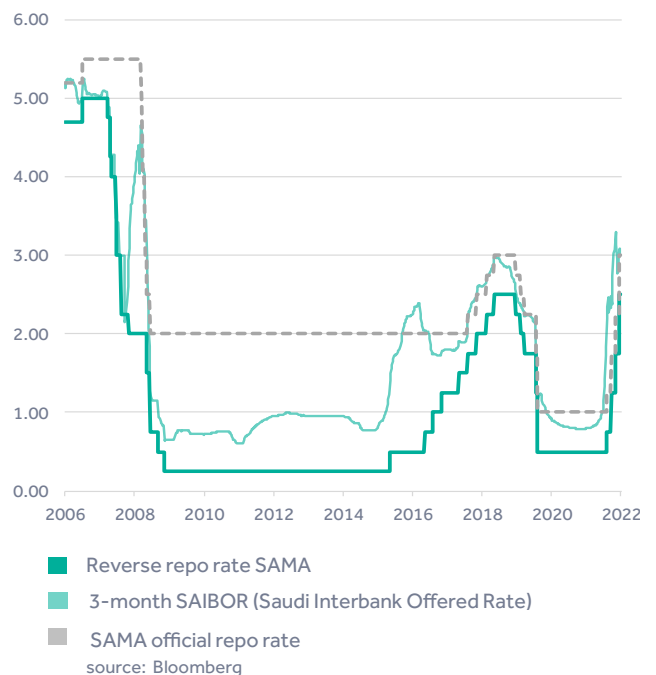


Figure 4:
Central Bank Rate and 3-Months SAIBOR

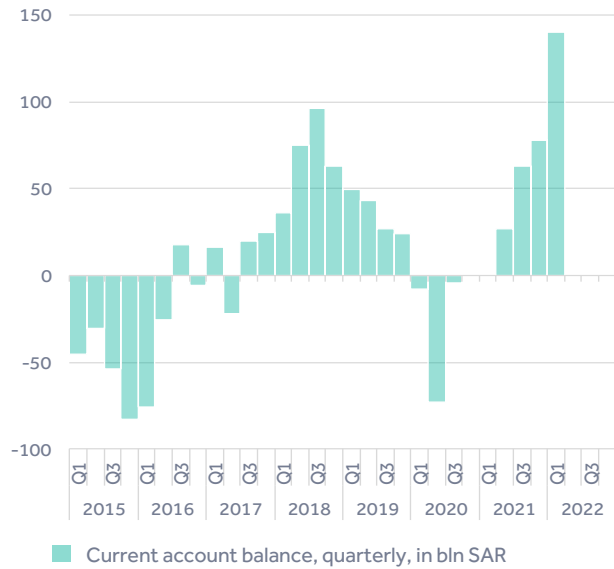


SAMA raised its key interest rates overall by 200bp since March 2022. Meanwhile, its liquidity injections in June and July caused the SAIBOR-LIBOR spread to substantially tighten from a peak of 150bp in

April to a low of 8 bp in July. Besides, 5-year SAR Swap rates most recently consolidated in a range of 3.5-4.0%. A similar consolidation could be observed with KSA SAR Sukuk and KSA USD bond yields.

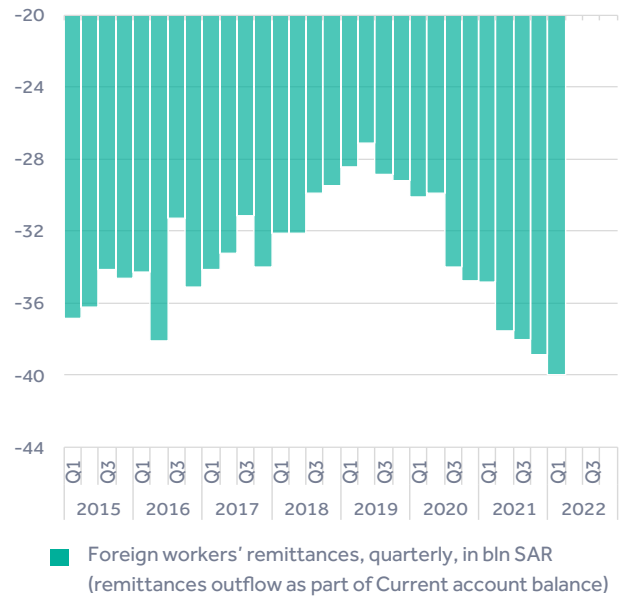
Saudi Balance of Payments

Figure 1:
Current Account Balance



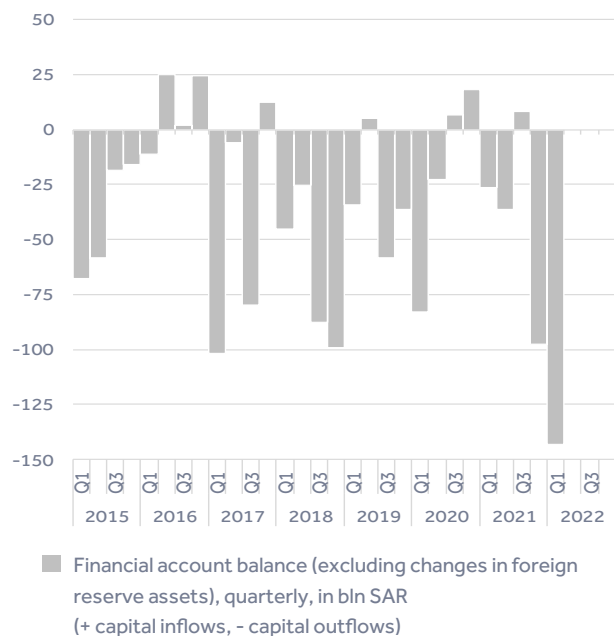
source: SAMA

Figure 2:
Foreign Workers' Remittances



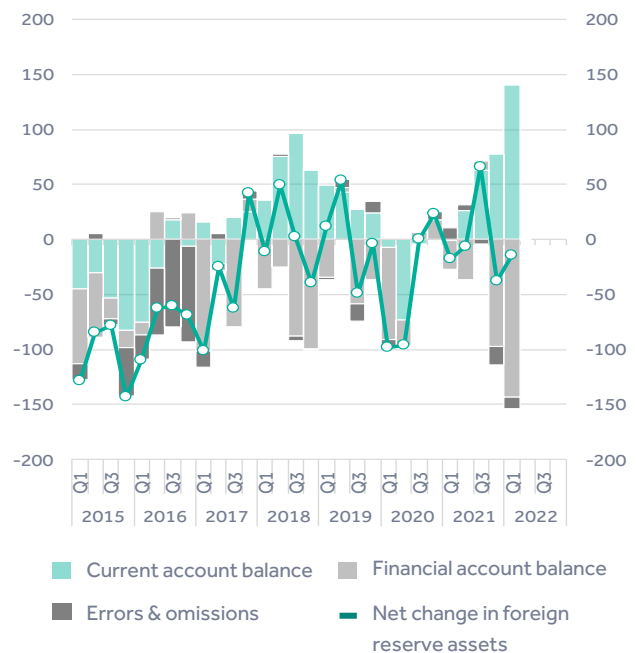
source: SAMA

Figure 3:
Financial Account Balance



source: SAMA

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



source: SAMA

Due to substantially higher oil export revenues, the current account balance recorded a massive surplus of 140bln SAR in Q1 2022, a figure last seen in 2013. However, an unusually high financial account bal-

ance deficit of -143bln SAR, due to substantial capital outflow during Q1 2022, exceeded this current account surplus and resulted finally in a slight reduction of official foreign reserve assets in Q1 2022.

Tadawul: Saudi Equity Market Statistics

Figure 1:
Tadawul All-Share Index

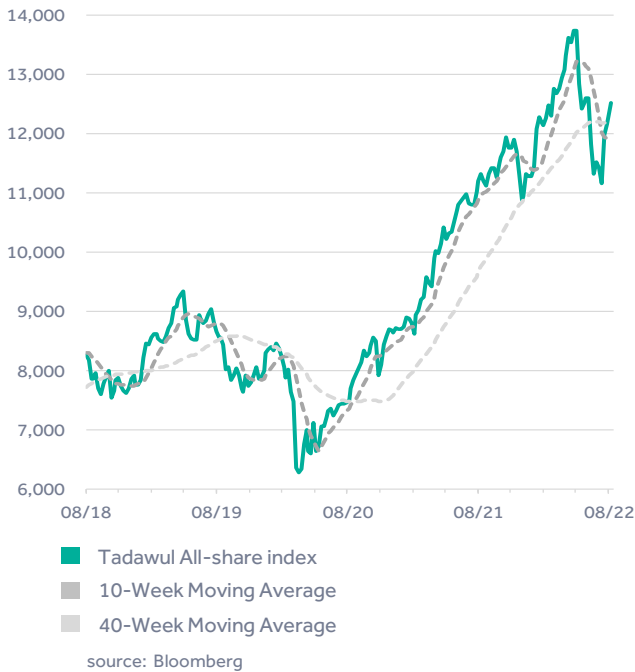


Figure 2:
Tadawul Average Daily Traded Value

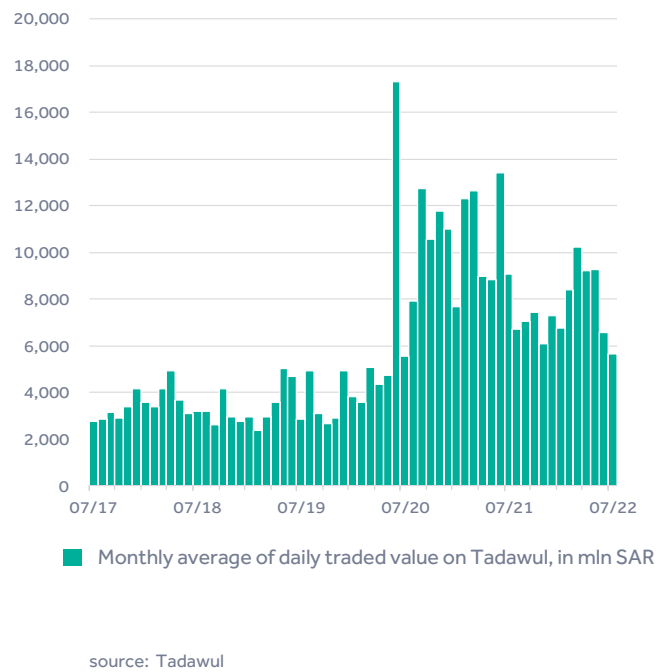


Figure 3:
Monthly Net Purchase by Ownership (in bln SAR)

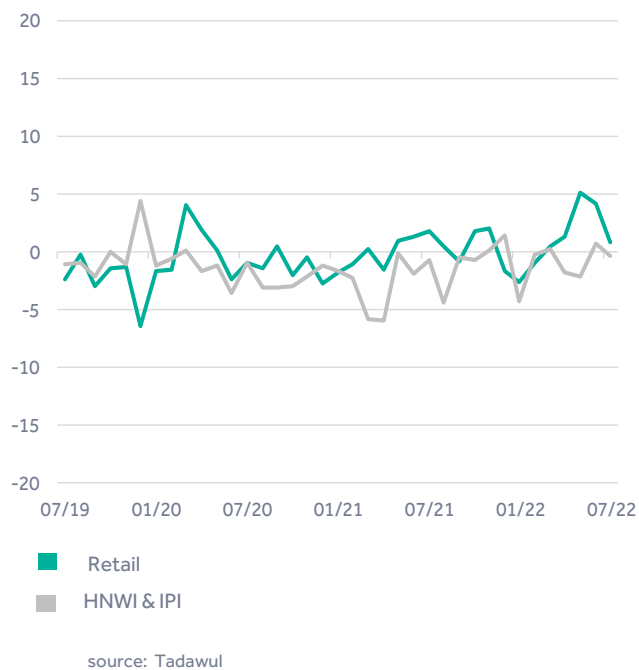
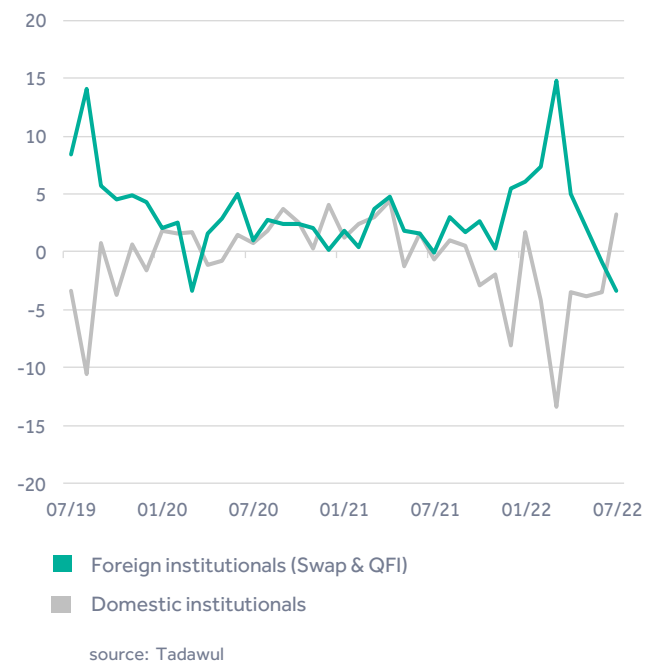


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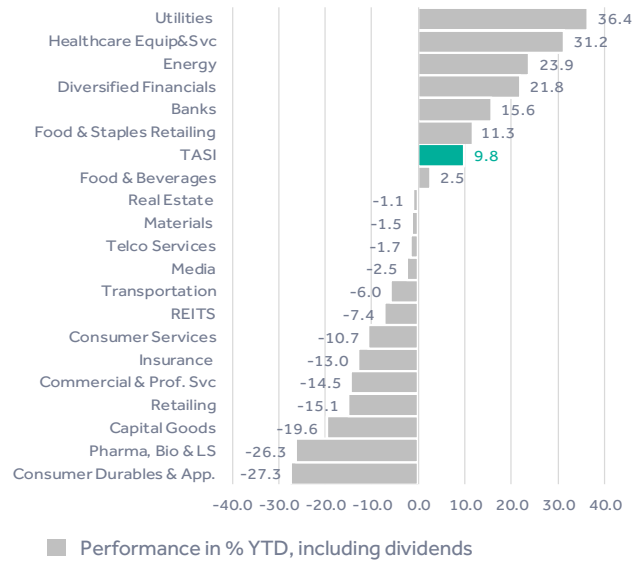


After having reached a multi-year high close to 14'000 at the beginning of May, TASI was subject to a correction of 20% until mid of July. Since then a strong rebound has kicked in. Average daily traded

values in June and July have been below the levels so far this year, primarily for seasonal reasons. Foreign institutional investors have been net sellers in July after having been strong net buyers previously.

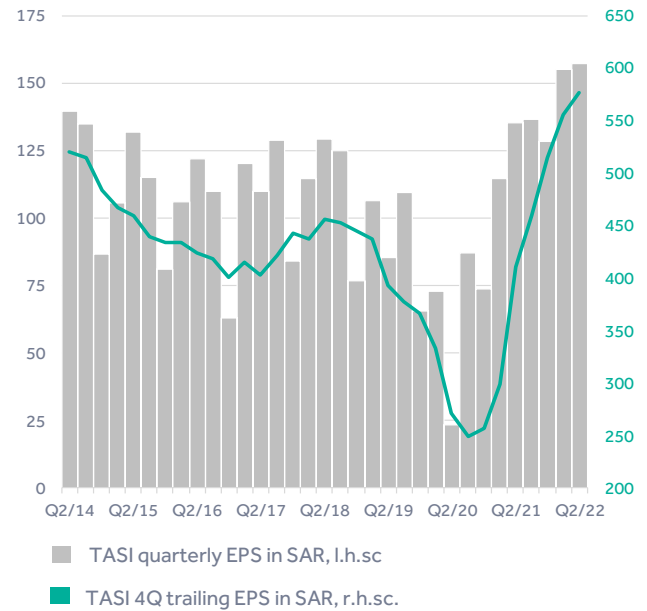
Tadawul: Saudi Equity Market Statistics

Figure 1:
Performance TASI Sectors July 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

Until July 2022, utilities and healthcare services have been the best performing sectors this year, while pharma and consumer durables recorded the weakest performance. The overall market achieved

9.8%. Q2 2022 brought another record EPS north of 150 SAR for TASI. Meanwhile, strong earnings growth and the most recent market correction lead to a further normalization in TASI valuation metrics.

Saudi Economic Outlook

In the year 2022, the Saudi economy will be largely driven by a strong rebound of the oil sector. After negative 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 private non-oil activities in 2021, we expect a gradual normalization this year with a still solid growth rate of 4.1%. For 2023, we forecast non-oil activities 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 7.4% of GDP in 2022 and 5.3% 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 2.6%. In the course of 2023, inflation is projected to gradually ease to 2.2%.

The US Federal Reserve will continue to tighten monetary policy with the FED fund rate reaching 3.50% as a peak. 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 3.50% and the Official Repo Rate to 4.0% in the next 18 months. 3M SAIBOR is projected to rise to 3.95% by end of 2022 and to 4.05% by end of next year.

Facts and Forecasts at a Glance

| | 2020 | 2021 | 2022f | 2023f |
|---|-------|------|-------|-------|
| Real GDP Growth | | | | |
| Overall economy | -4.1 | 3.2 | 7.8 | 2.9 |
| Non-oil Activities | -3.4 | 6.1 | 4.1 | 3.3 |
| Government Activities | 0.2 | 1.5 | 1.1 | 1.3 |
| Oil Activities | -6.7 | 0.2 | 15.2 | 3.3 |
| Fiscal Balance and Government Debt | | | | |
| Fiscal Balance in bln SAR | -294 | -73 | 282 | 193 |
| Fiscal Balance in % GDP | -11.2 | -2.3 | 7.4 | 5.3 |
| 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 | 97.0 | 84.0 |
| 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 | 2.60 | 2.20 |
| 3M SAIBOR SAR | 0.82 | 0.91 | 3.95 | 4.05 |
| Reverse Repo Rate | 0.50 | 0.50 | 3.50 | 3.50 |
| Official Repo Rate | 1.00 | 1.00 | 4.00 | 4.00 |
| 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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