



SAUDI ECONOMIC CHARTBOOK

Second Quarter 2023

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Table of Contents:

GDP Data2

Monetary Aggregates, Credit and Commercial Banks' Deposits.....3

Fiscal Balance and Government Debt.....6

Private Spending Indicators and Non-Oil Business Climate7

Cement Sector and Non-oil Exports and Imports.....8

Inflation Indicators9

Real Estate Market10

Oil Market Statistics.....12

Foreign Exchange and KSA Credit Spread.....13

Saudi Balance of Payments15

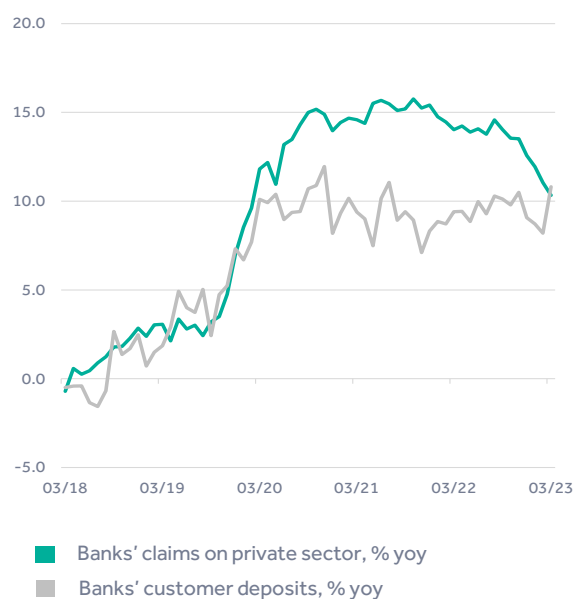
Saudi Equity Market16

Saudi Economic Outlook18

GDP Growth Consolidating in 2023, but Accelerating in 2024

- The Saudi economy expanded by 3.9%yoy in Q1 2023. after a multi-year peak growth of 11.2%yoy in Q2 2022. This growth deceleration can be explained by a slowdown of oil sector growth which reached 1.3%yoy in Q1 2023 after a record growth of 22.9%yoy in Q2 2022.
- Non-oil activities continue to show strong growth with 5.8%yoy in Q1 2023. We expect this growth momentum to carry on in 2023 and 2024. Overall, we forecast GDP growth to consolidate this year at 1.5%, but to reaccelerate to 4.1% in 2024, also supported by a rebound of oil sector growth next year.
- The government recorded a small fiscal deficit of -2.9 bln SAR in Q1 2023. While fiscal revenues increased by 1% versus Q1 2022, fiscal expenditure rose by 29% over last year, thereby illustrating the government's commitment to keep up spending to support the domestic economy.
- In March 2023, private sector credit growth aligned again to banks' customer deposit growth for the first time in more than three years (10.3%yoy vs. 10.8%yoy). This realignment further helps to bolster the liquidity situation in the banking sector (see figure below).
- SAMA raised its key interest rates alongside the Federal Reserve by overall 75 bp since the beginning of this year. We believe that the FED has reached its terminal rate, but expect a first rate cut earliest by end of this year.
- After a protracted correction period since May 2022, the Saudi equity market bottomed out in the course of Q1 2023 around a level of 10'000 for TASI, before rallying again in April and May, bringing TASI back above 11'000.

Credit Growth Aligning Again to Growth of Banks' Customer Deposits

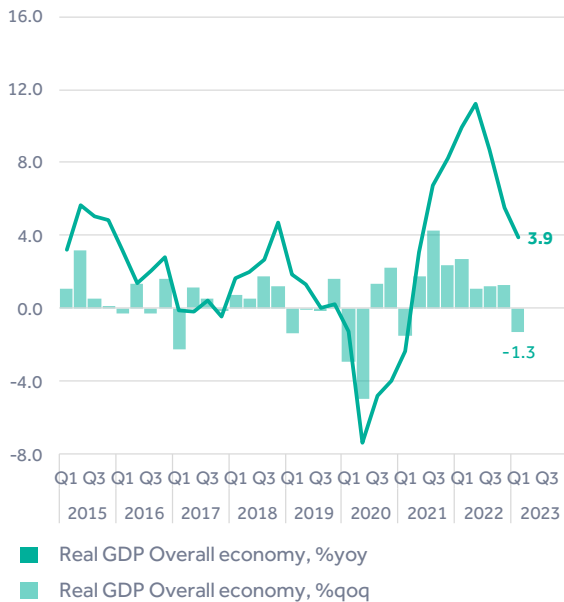


In March 2023, the yearly growth rate of private sector credit matched banks' customer deposit growth for the first time in more than three years. Credit growth had started to falter in the last 12 months, primarily due to lower retail mortgage and personal loan demand growth. Banks' customer deposit growth, on the other hand, accelerated particularly in March as government institutions notably shifted deposits from SAMA to commercial banks.

source: SAMA

Gross Domestic Product (GDP) by Main Economic Activities

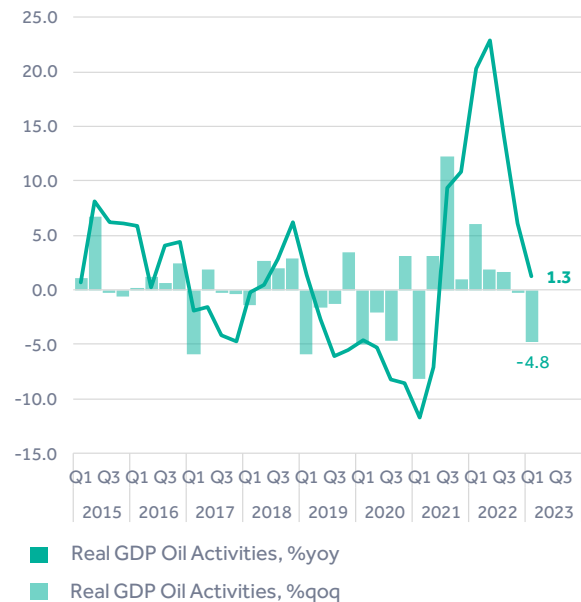
Figure 1:
GDP Overall Economy



(Q1 2023 flash estimate)

source: GASTAT

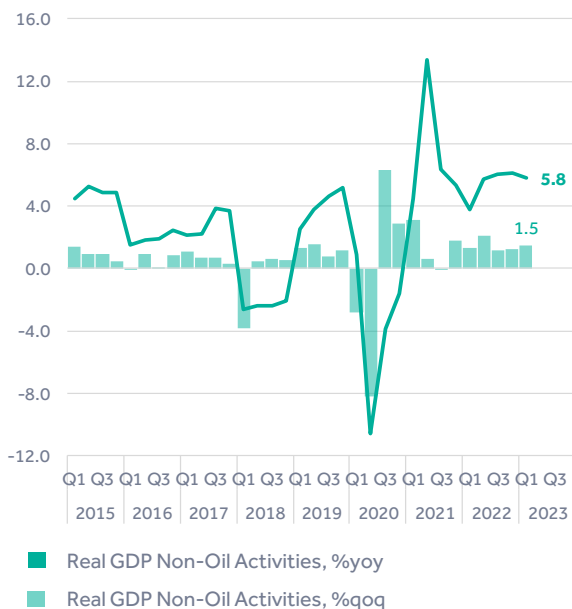
Figure 2:
GDP Oil Activities



(Q1 2023 flash estimate)

source: GASTAT

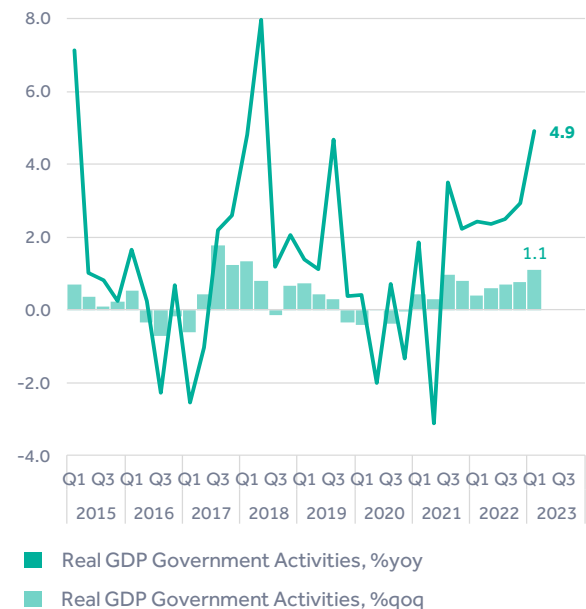
Figure 3:
GDP Non-Oil Activities



(Q1 2023 flash estimate)

source: GASTAT

Figure 4:
GDP Government Activities



(Q1 2023 flash estimate)

source: GASTAT

According to flash estimates, Saudi economic growth slowed to 3.9%yoy in Q1 2023 after a peak growth rate of 11.2% in Q2 2022. This growth deceleration is primarily due to a slowdown of oil sec-

tor growth on the back of oil output adjustments. Meanwhile, non-oil activities continue to be on a solid expansion path with a growth rate of 5.8%yoy in Q1 2023 after 6.2%yoy in the last quarter 2022.

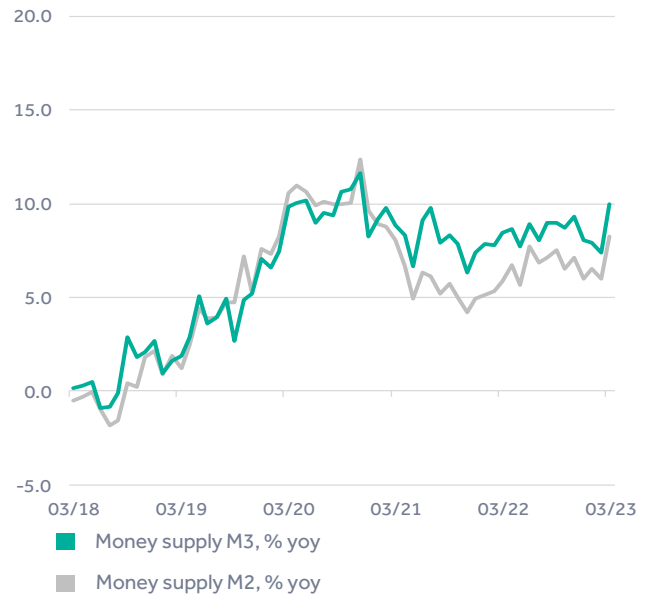
Monetary Aggregates, Credit and Commercial Banks' Deposits

Figure 1:
Growth Rate Monetary Base and Money Supply M1



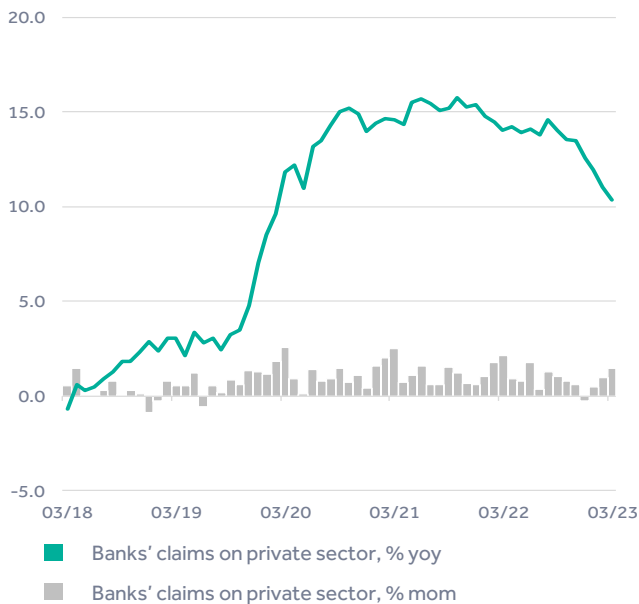
source: SAMA

Figure 2:
Growth Rate Money Supply M2 and M3



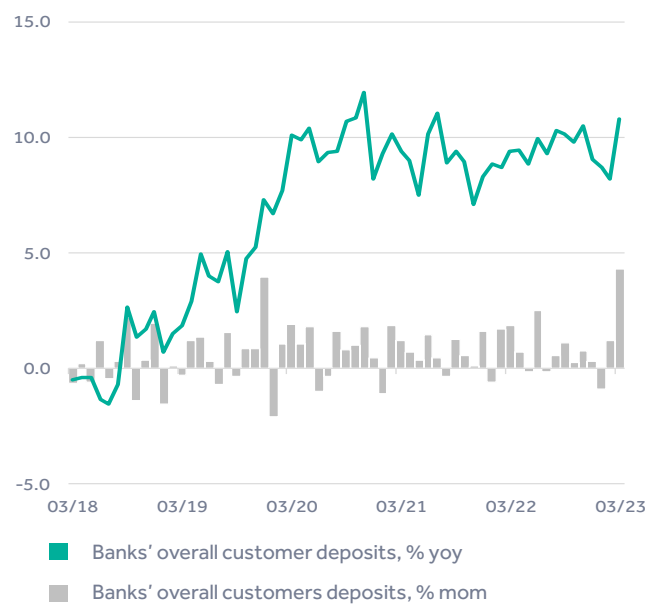
source: SAMA

Figure 3:
Growth of Credit to the Private Sector



source: SAMA

Figure 4:
Growth of Commercial Banks' Deposits



source: SAMA

In March 2023, growth of the money supply aggregates M2 and M3 accelerated to 8.2%yoy and 10.0% yoy. This was due to a corresponding growth increase of banks' customer deposits to 10.8%yoy.

Meanwhile private sector credit growth slowed to 10.3%yoy due to lower mortgage and personal loan growth. Credit growth aligned to customer deposit growth for the first time in more than 3 years.

Commercial Banks Key Ratios

Figure 1:
Private Sector Loan-Deposit-Ratio

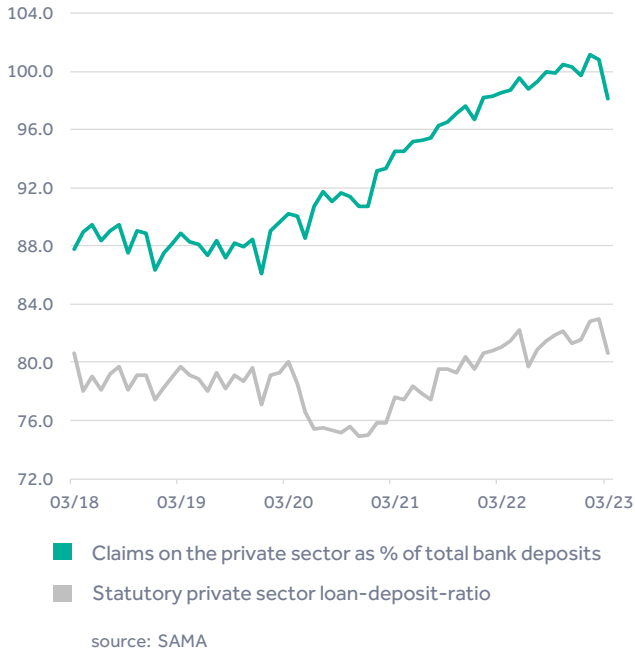


Figure 2:
Government Sector Loan-Deposit-Ratio

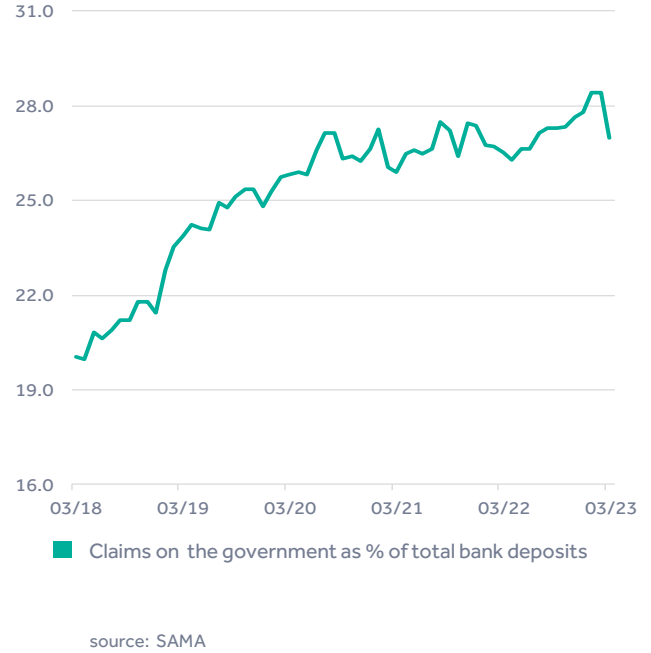


Figure 3:
Foreign Assets to Total Assets Ratio

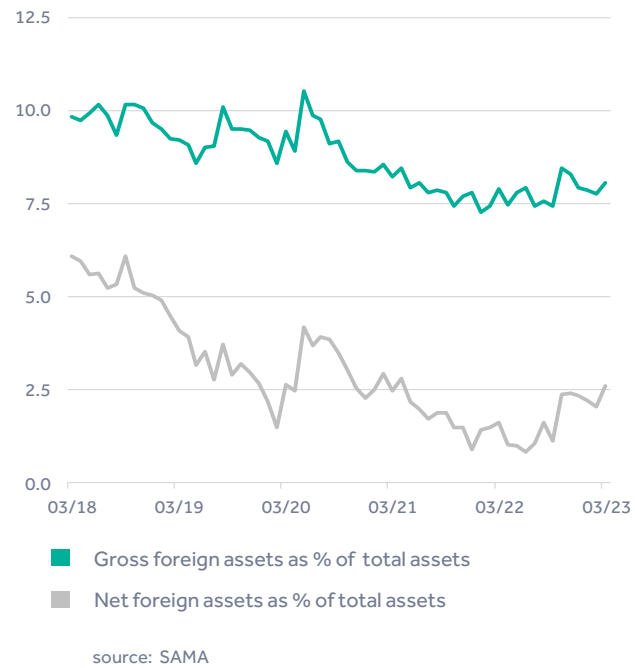
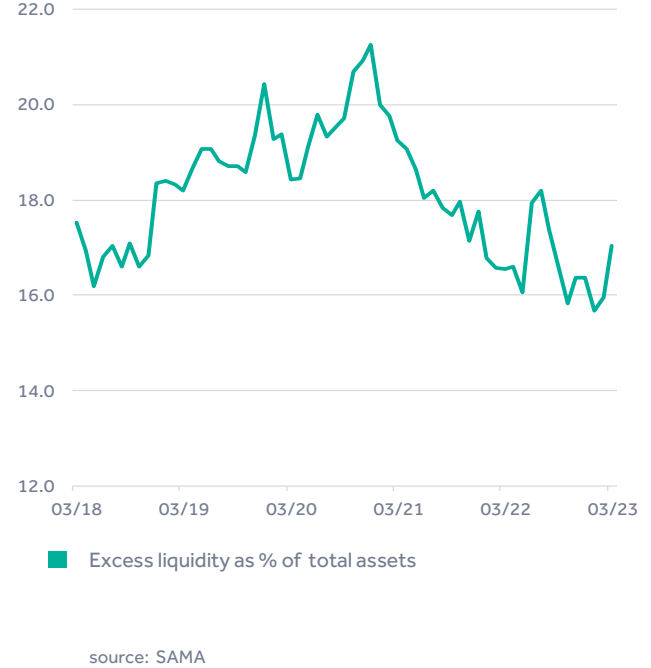


Figure 4:
Excess Liquidity to Total Assets Ratio

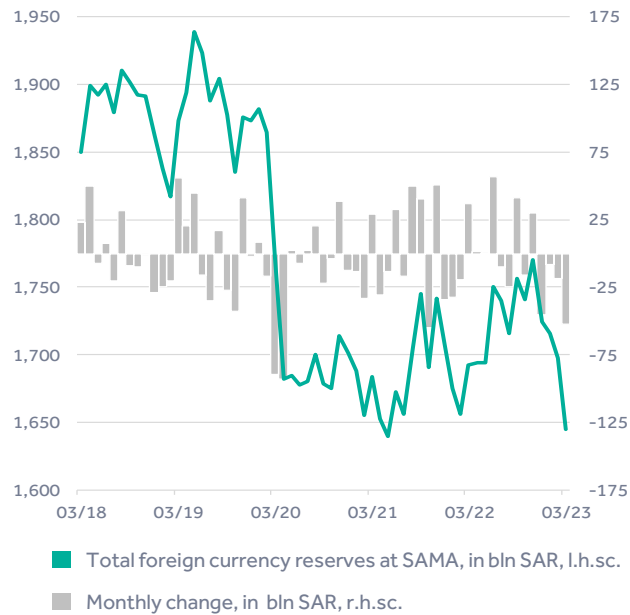


The substantial increase in banks' customer deposits in March 2023, which amounted to 98 bln SAR, caused a notable decline of the statutory loan-deposit ratio (LDR) for private sector claims from

83.0% to 80.7%. Equally, the government sector LDR dropped from 28.4% to 27.0%. At the same time, excess liquidity in the banking sector climbed for the same reason from 15.9% to 17.0% in March.

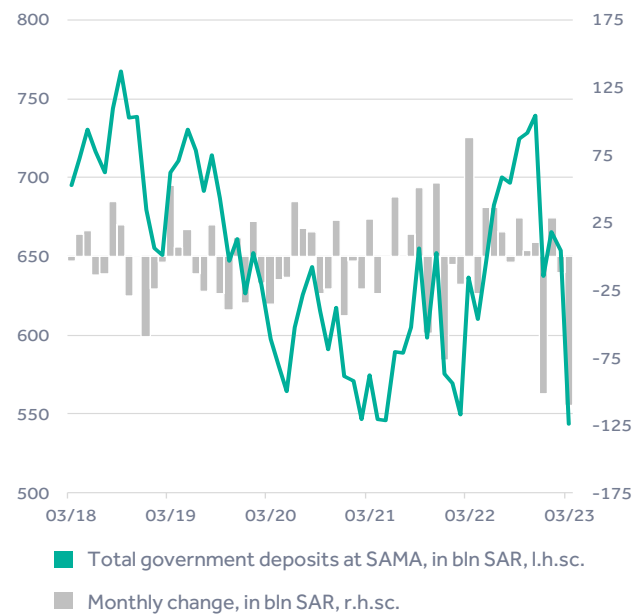
SAMA Balance Sheet and Government Deposits

Figure 1:
Foreign Currency Reserves at SAMA



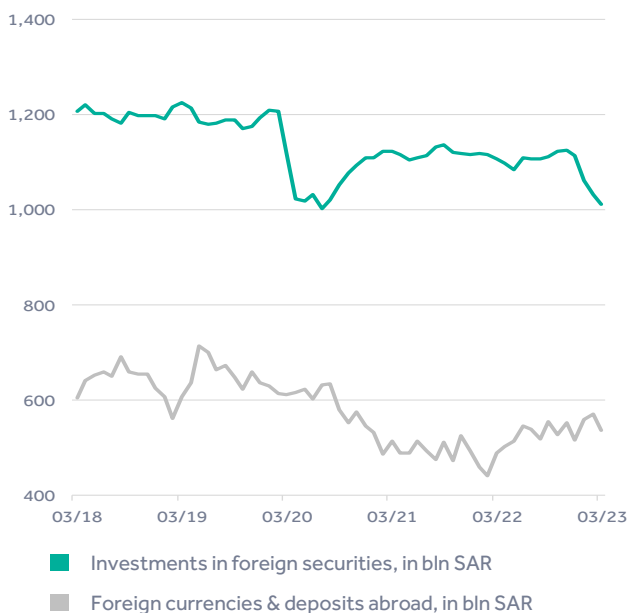
source: SAMA

Figure 2:
Government Deposits at SAMA



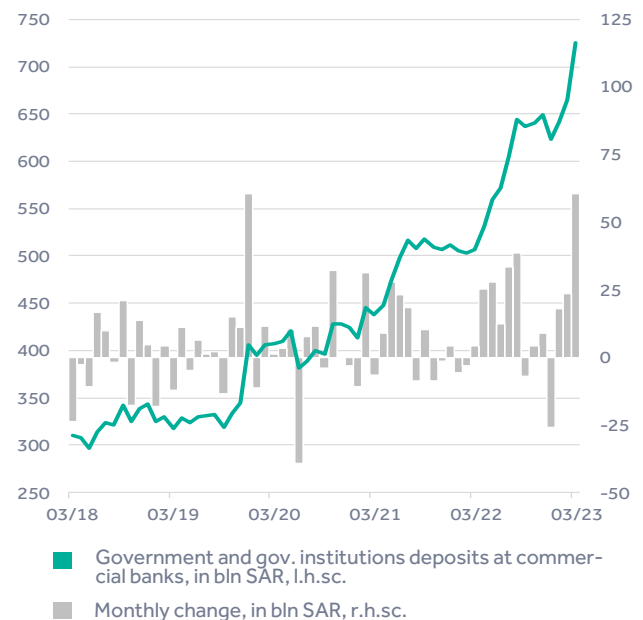
source: SAMA

Figure 3:
Breakdown of Foreign Currency Reserves at SAMA



source: SAMA

Figure 4:
Government Deposits at Commercial Banks



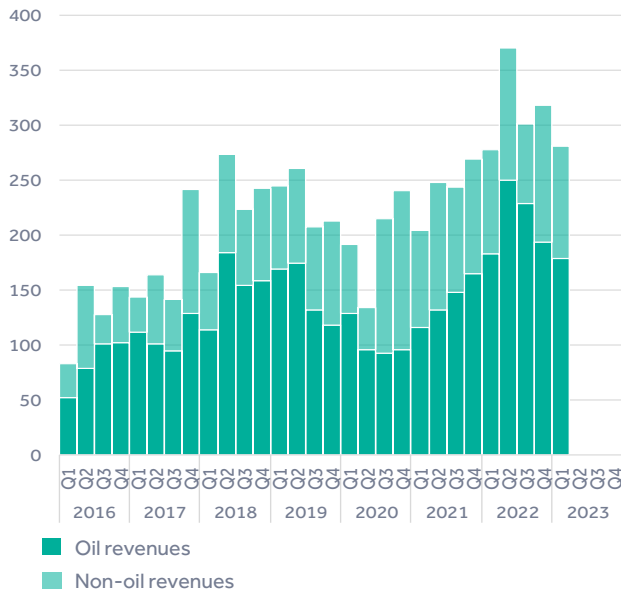
source: SAMA

In the first three months, SAMA reserves declined by 79 bln SAR. This reduction affected primarily SAMA holdings of foreign securities which dropped by 101 bln SAR, while positions in foreign deposits in-

creased by about 20 bln SAR. The increase in banks' customer deposits in March can to a large extent be explained by a notable shift (61 bln SAR) of government deposits from SAMA to commercial banks.

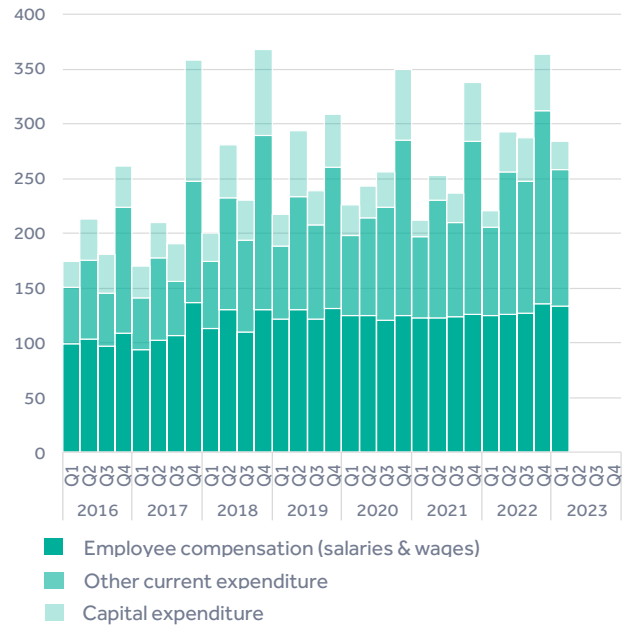
Quarterly Fiscal Balance and Outstanding Government Debt

Figure 1:
Quarterly Fiscal Revenues (in bln SAR)



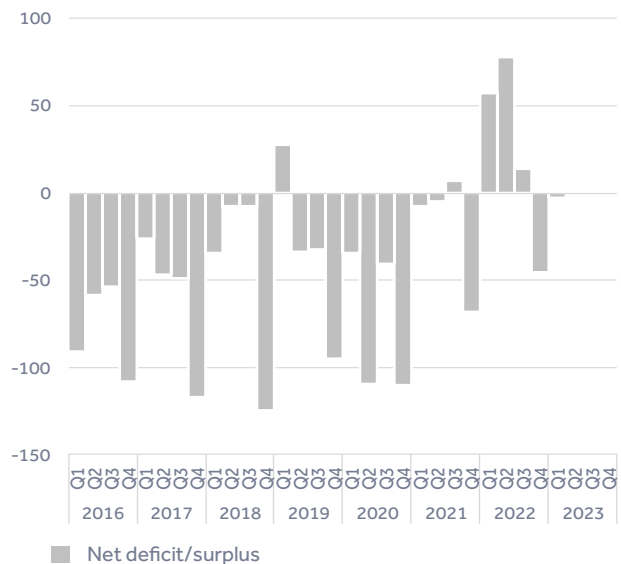
source: MoF

Figure 2:
Quarterly Fiscal Expenditure (in bln SAR)



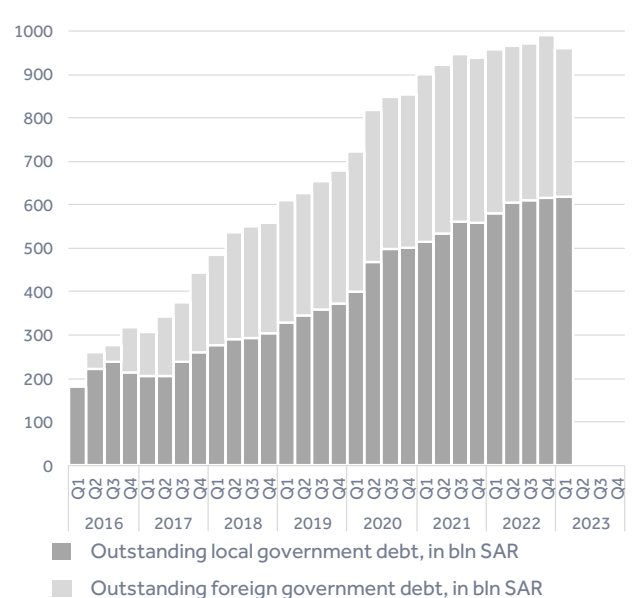
source: MoF

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



source: MoF

Figure 4:
Outstanding Government Debt (End of Quarter)



source: MoF

The government recorded a small deficit of -2.9 bln SAR in Q1 2023. While fiscal revenues increased by 1% compared to Q1 2022, fiscal expenditure jumped by 29% versus the previous year. This fig-

ures illustrates that the government is committed to keep up spending to support the local economy. Meanwhile, government debt declined from 990 bln SAR by end of 2022 to 962 bln SAR by end of March.

Indicators for Private Spending and Non-Oil Business Climate

Figure 1:
Private Spending Indicator

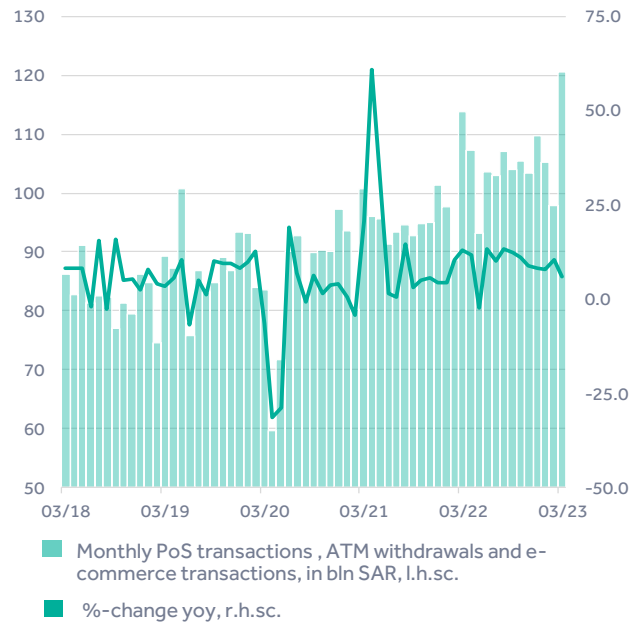


Figure 2:
Consumer Sentiment Indicator

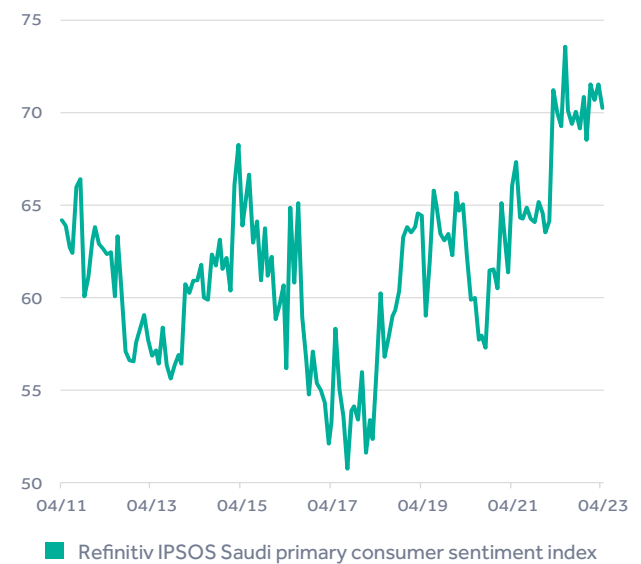


Figure 3:
PMI Composite and PMI Output

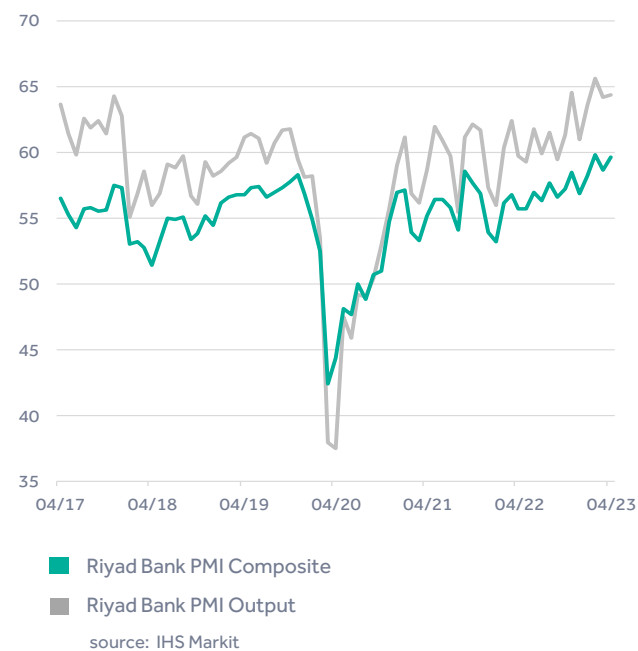
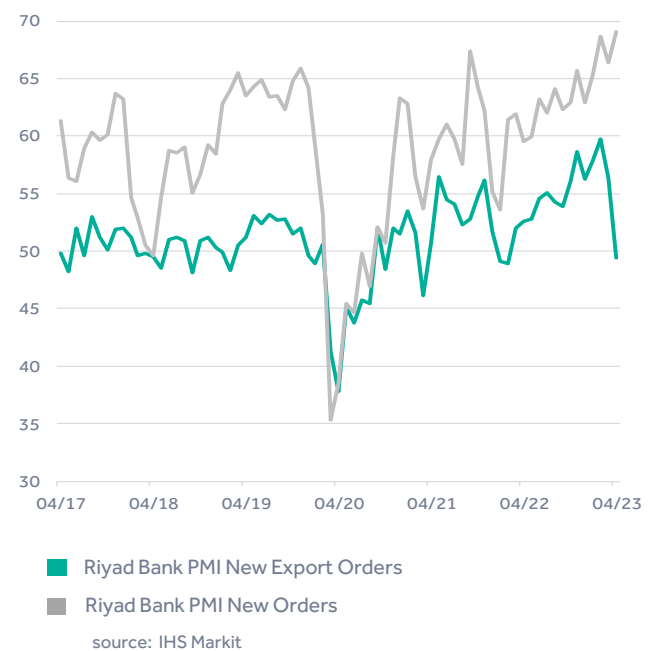


Figure 4:
PMI New Orders and PMI New Export Orders

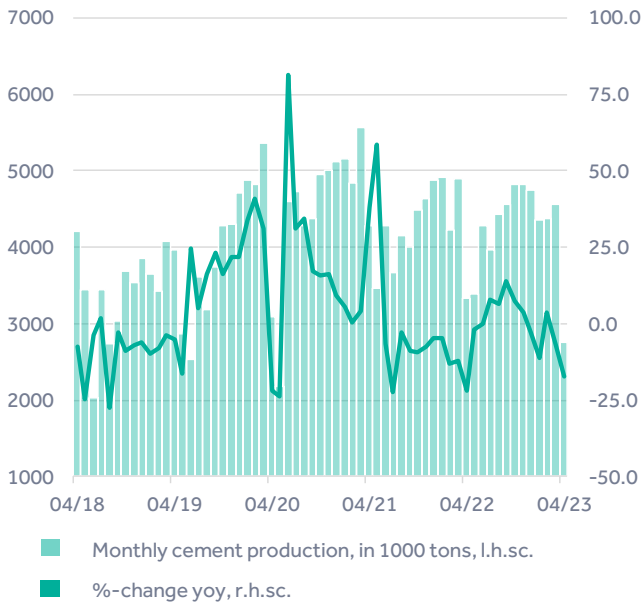


While private spending reached a record amount of 120 bln SAR in March, the yearly growth declined to 6.0% from 10.5% in February. Meanwhile, the business climate indicator of the non-oil economy, the

purchasing manager index, continued to climb in the first three months of the year. Only the PMI New Export Orders most recently declined notably, indicating a slowdown of global economic growth.

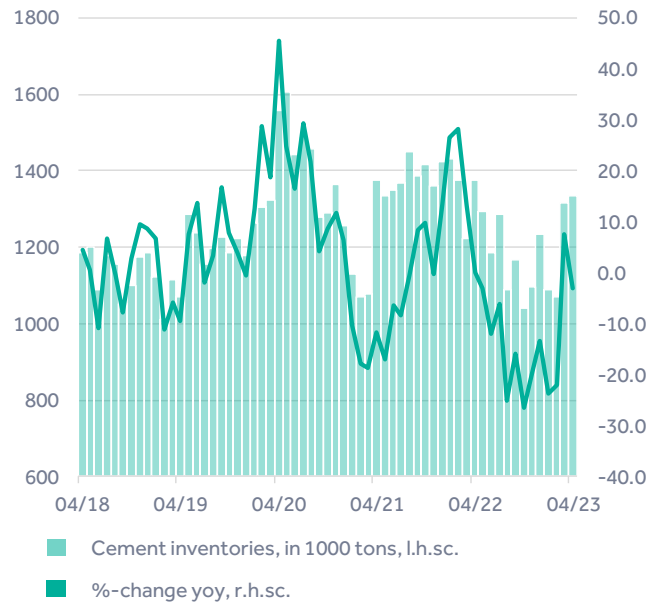
Cement Sector and Non-oil Exports and Imports

Figure 1:
Cement Production



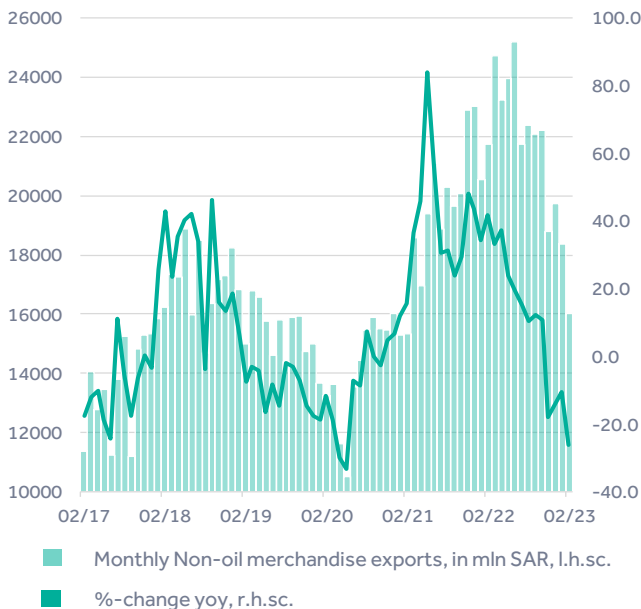
source: Yamama Cement

Figure 2:
Cement Inventories



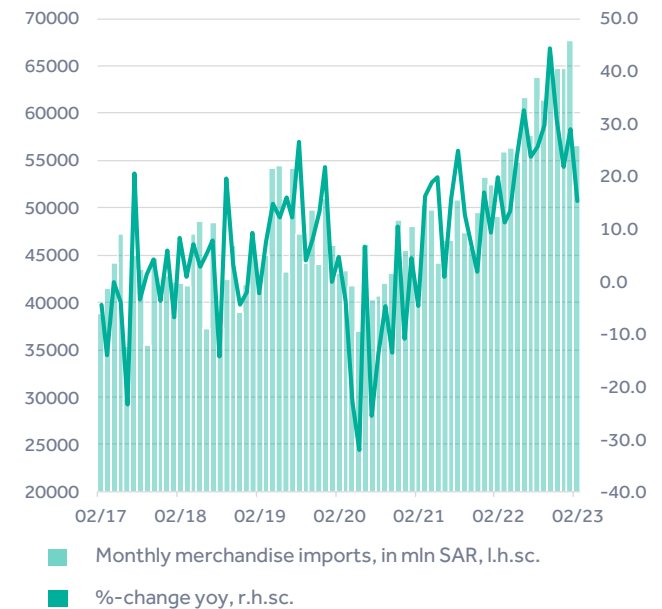
source: Yamama Cement

Figure 3:
Non-Oil Merchandise Exports



source: GASTAT

Figure 4:
Merchandise Imports



source: GASTAT

Cement production declined in April by -39% vs. March and by -17% vs. the previous year, primarily due to reduced construction activity during the holy month of Ramadan and Eid Al-Fitr holidays. The re-

duction in non-oil exports since a peak in June 2022 can to a large part be explained by a corresponding decline of petrochemical product prices which in turn were affected by falling oil prices.

Consumer and Wholesale Price Inflation

Figure 1:
Consumer Price Inflation All Items



source: GASTAT

Figure 2:
Consumer Price and Wholesale Price Inflation

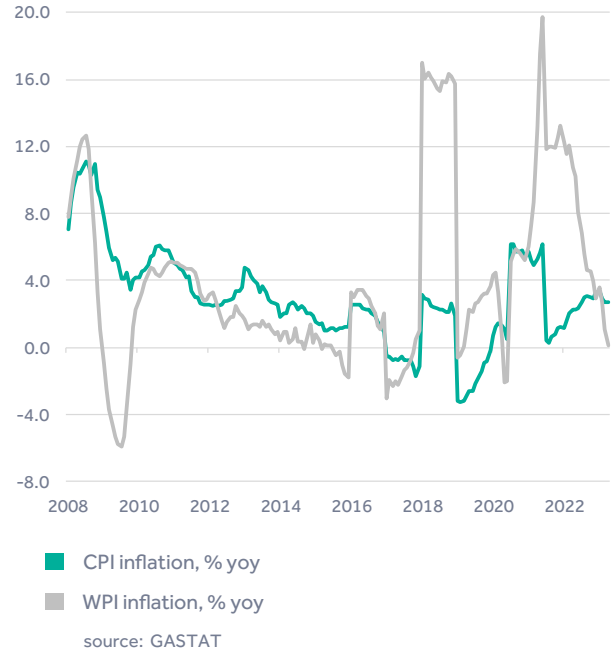
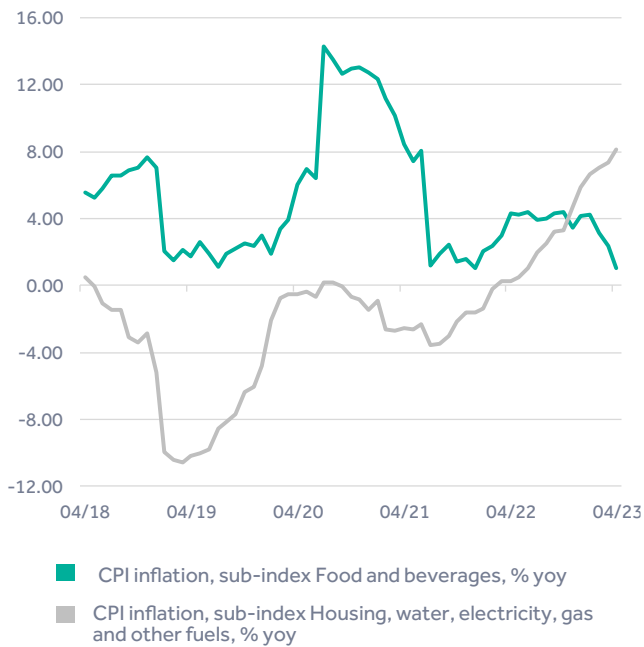
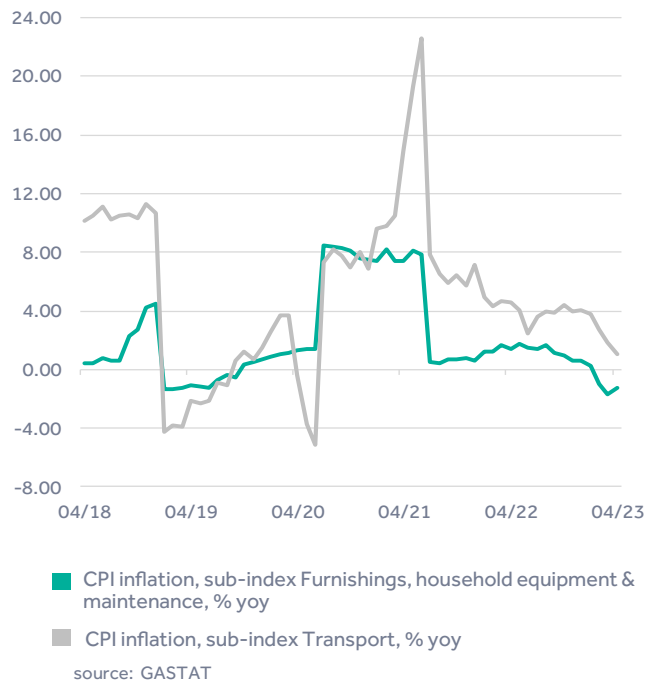


Figure 3:
CPI Inflation Food & Housing



Saudi CPI inflation gradually declined to 2.7%yoy in April from 3.3%yoy at the beginning of the year. The majority of index categories showed stable or gradually falling inflation rates. However, as an excep-

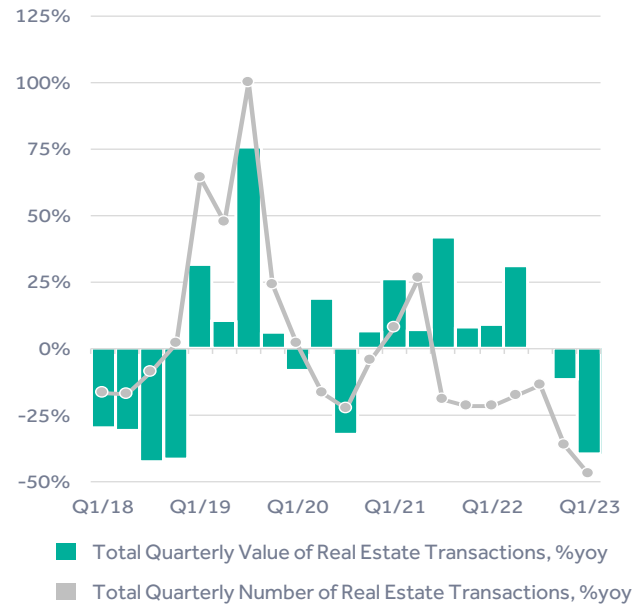
Figure 4:
CPI Inflation Furnishings & Transportation



tion, the category housing, water & electricity picked up by 8.1%yoy, mainly driven by housing rents, the single most important item in the CPI basket, which soared by 9.6%yoy in April 2023.

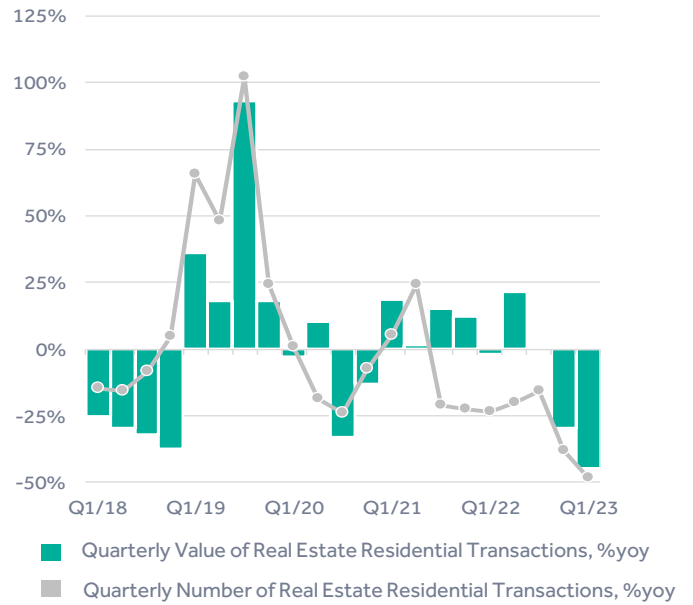
Real Estate Market: Transaction Activity

Figure 1:
Real Estate Transactions Total %yoy



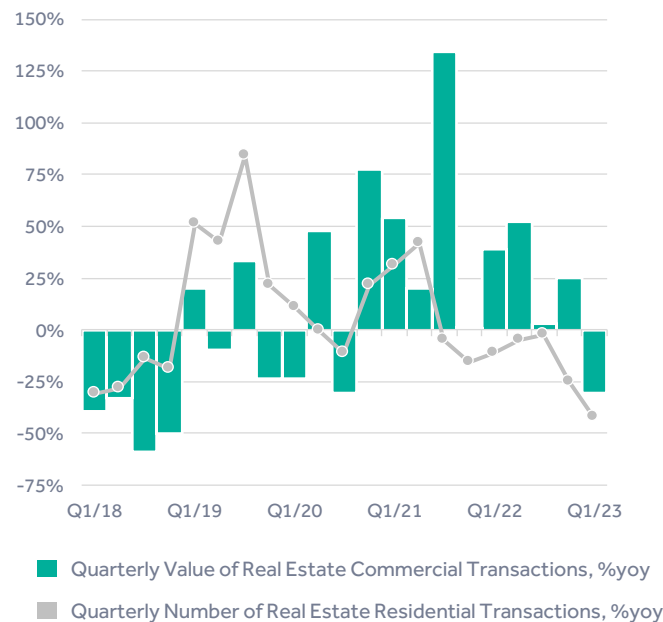
source: MOJ, RC

Figure 2:
Real Estate Transactions Residential %yoy



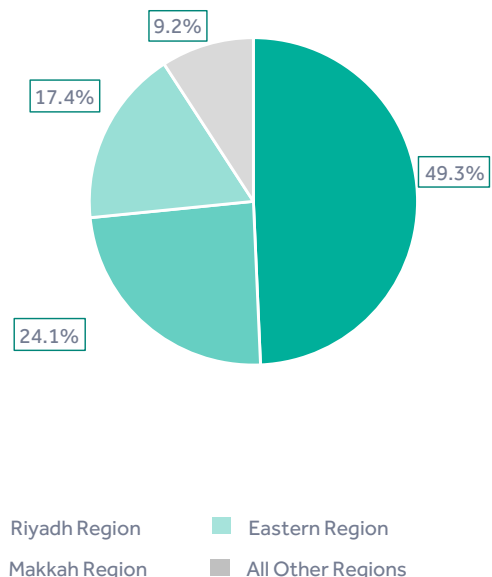
source: MOJ, RC

Figure 3:
Real Estate Transactions Commercial %yoy



source: MOJ, RC

Figure 4:
Breakdown of Transaction Value by Regions (Q1 2023)



source: MOJ, RC

The total value of real estate transactions substantially dropped by -40%yoy in Q1 2023 versus the previous year. Residential transactions declined by -45%yoy, while commercial transactions decreased

by -30% during the same period. Almost half of the total transaction volume in Q1 2023 was allocated to Riyadh region, while Makkah region covered 24%, Eastern region 17% and all other regions 9%.

Real Estate Market: Price Indices

Figure 1:
Residential and Commercial Price Indices



Figure 2:
Residential and Commercial Land Price Indices

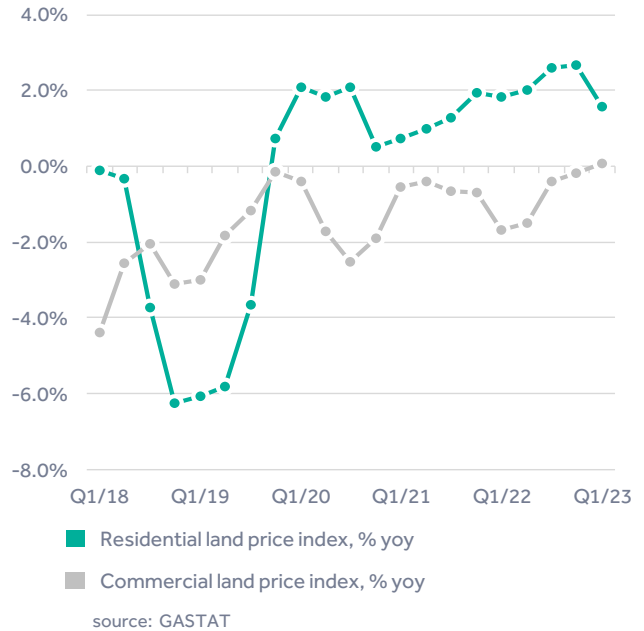
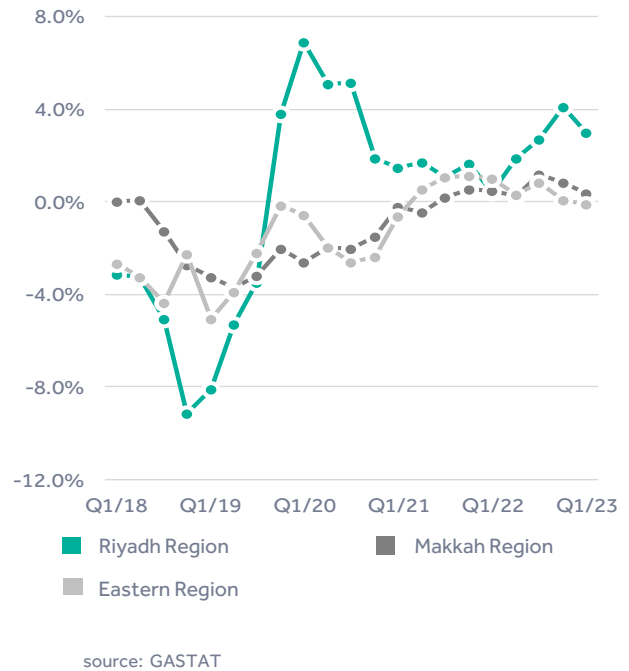


Figure 3:
Residential Villas and Apartments Price Indices



Figure 4:
Real Estate Price Indices Main Regions (%yoy)

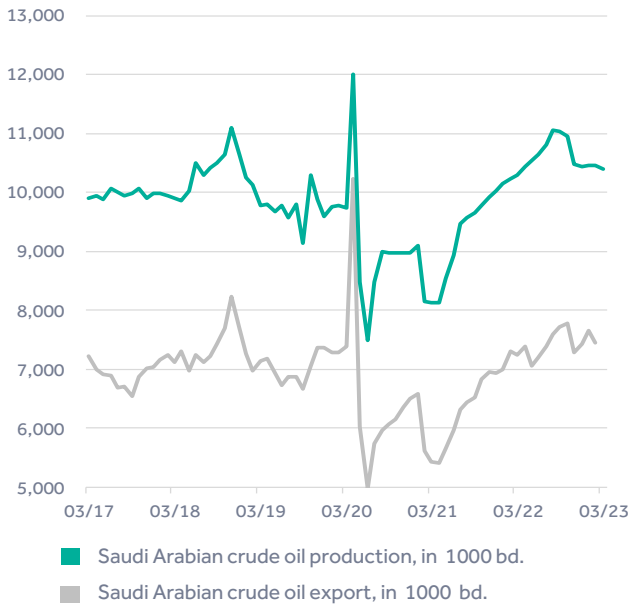


In Q1 2023, the yearly growth rate of residential real estate prices softened to 1.6%/yoy after 2.6%/yoy in the previous quarter, while commercial real estate prices were broadly flat on a yearly basis (0.1%/yoy).

Geographically, property prices still recorded the strongest growth in Riyadh region with 3.0%/yoy in Q1 2023, while real estate prices in Makkah region and Eastern region were broadly unchanged.

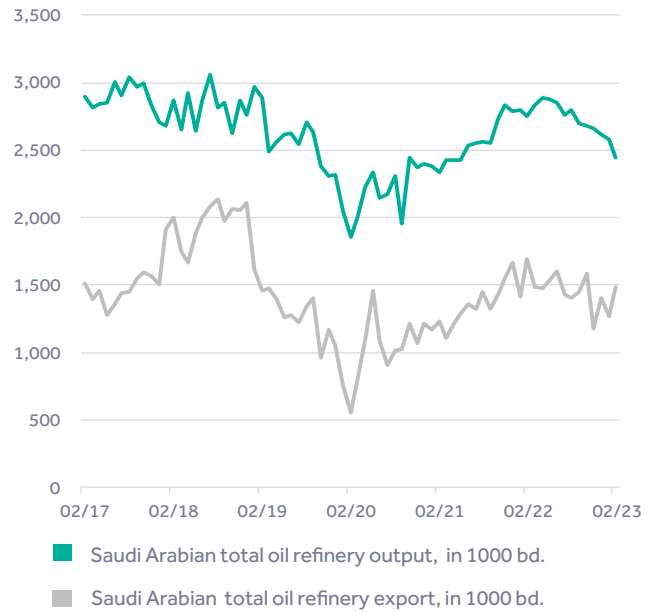
Oil Market Statistics: Production, Exports, Refinery and Prices

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

The Saudi crude output amounted to 10.5 mbd in March. The voluntary output cut will reduce production by 500k bd starting in May. Accordingly, OPEC crude output is expected to drop from 29.1 mbd in

Figure 4:
Oil Prices

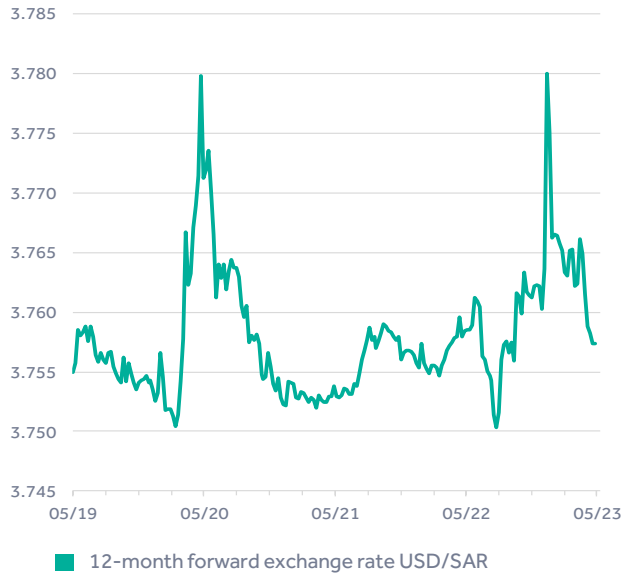


source: Bloomberg

March to about 28.0 mbd in May, assuming production cuts by member countries as announced. Meanwhile, oil prices declined due to increased concerns about the cooling global economy.

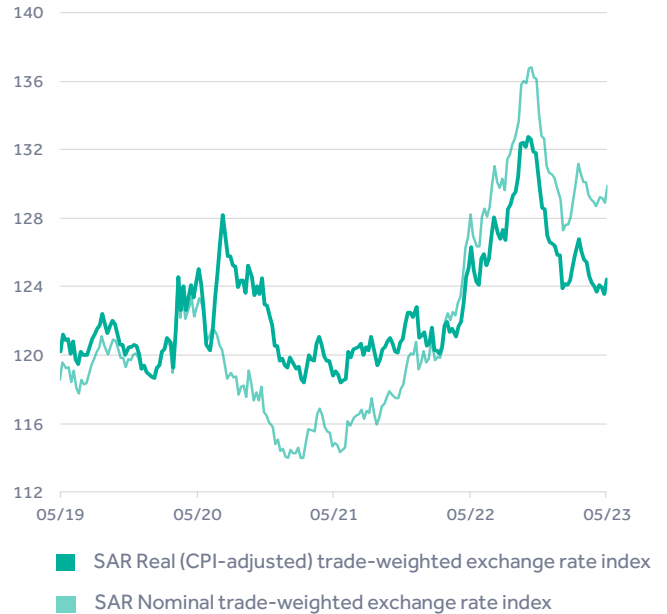
Foreign Exchange and KSA Credit Spread

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



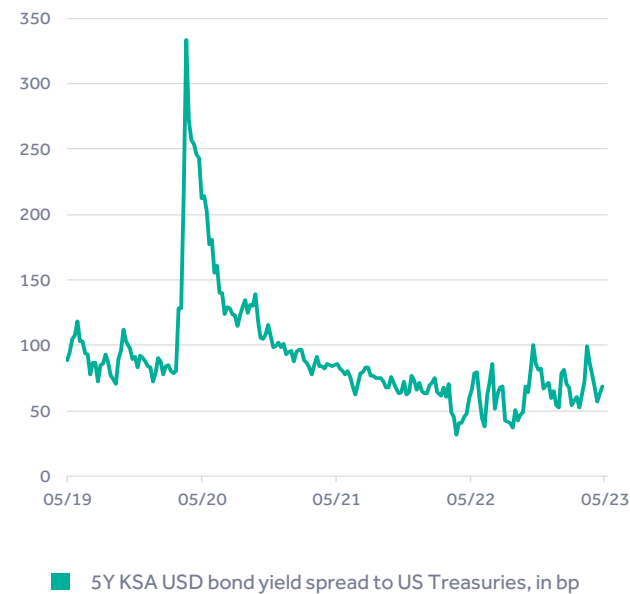
source: Bloomberg

Figure 2:
SAR Nominal and Real Effective Exchange Rate



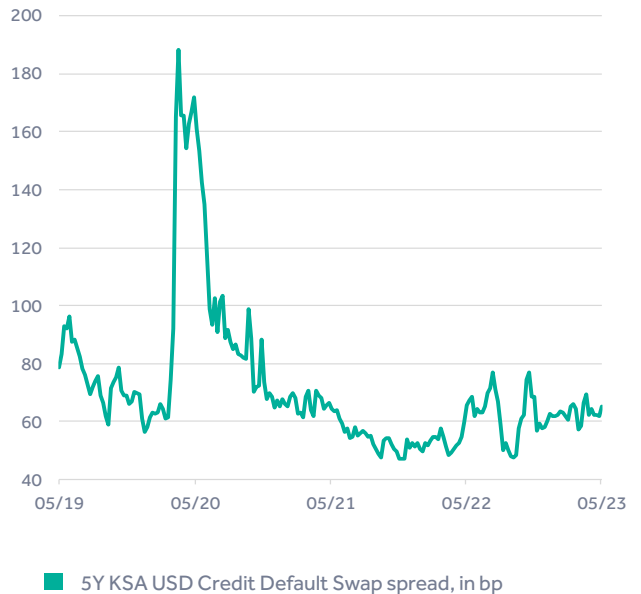
source: Bloomberg, JP Morgan

Figure 3:
KSA USD Bond Yield Spread to US Treasuries



source: Bloomberg

Figure 4:
KSA CDS Spread



source: Bloomberg,

By mid of May, the USD/SAR-forward premium, the Saudi USD sovereign bond yield spread to US treasuries and the Saudi sovereign CDS spread as key risk indicators are all trading at normal or subdued

levels, signalling a stable macroeconomic framework at this juncture. Besides, the SAR nominal and real effective exchange rate broadly stabilized so far this year after a correction phase during Q4 2022.

Short-term, Long-term and Official Interest Rates

Figure 1:
3-Months SAIBOR vs. USD LIBOR

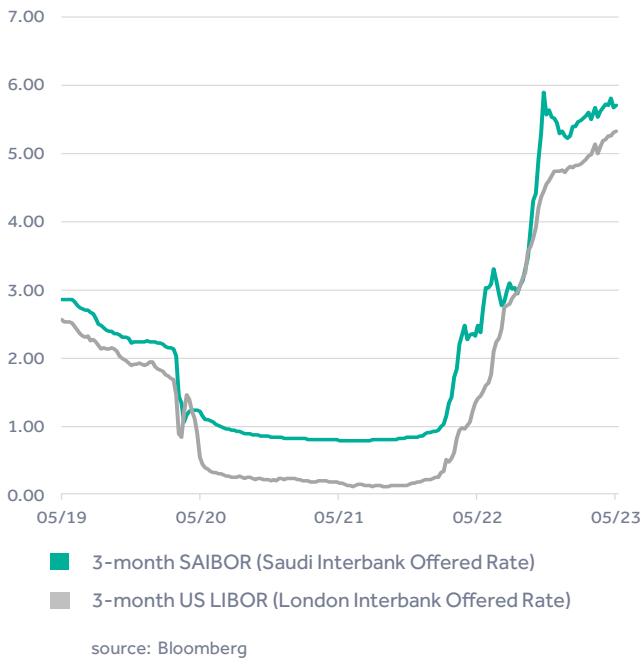


Figure 2:
5-Year Swap Rate SAR vs. USD



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

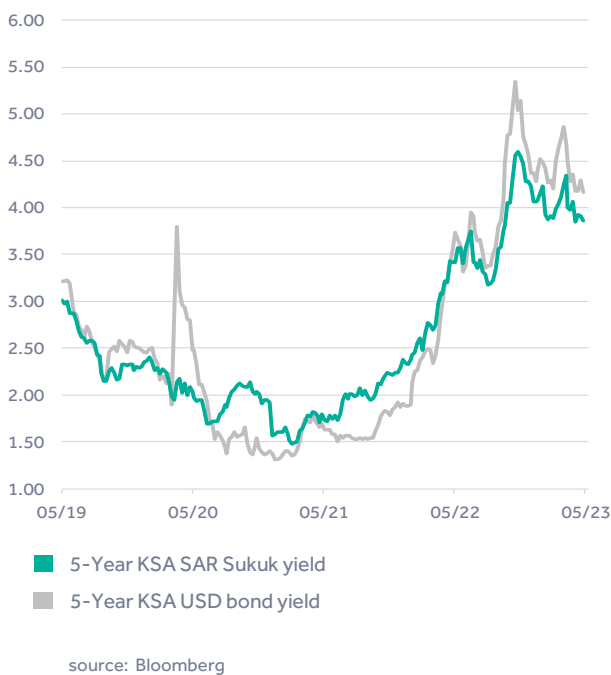


Figure 4:
Central Bank Rate and 3-Months SAIBOR

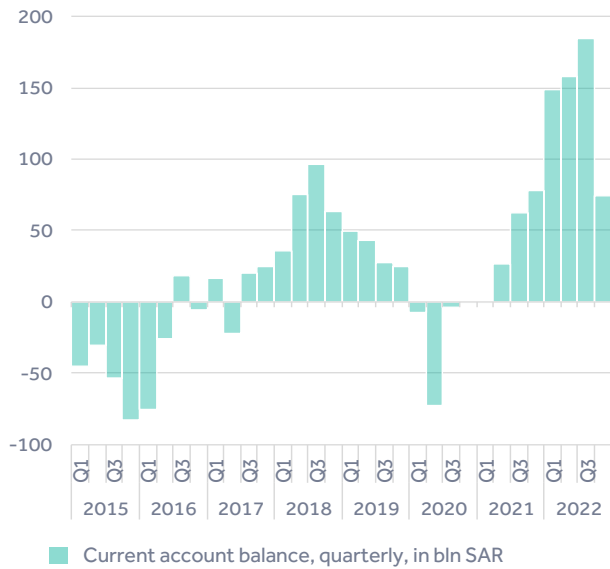


Since the beginning of the year, SAMA raised its key interest rates by 75 bp, following the rate hike policy by the US Federal Reserve. Over this period, 3M SAIBOR climbed by about 60 bp to 5.8%, while the

spread to USD LIBOR stabilized around 50bp. On the other hand, with 3.9% the yield on Saudi 5-year SAR sovereign Sukuk is currently about 30 bp lower than the yield of the Saudi USD denominated bonds.

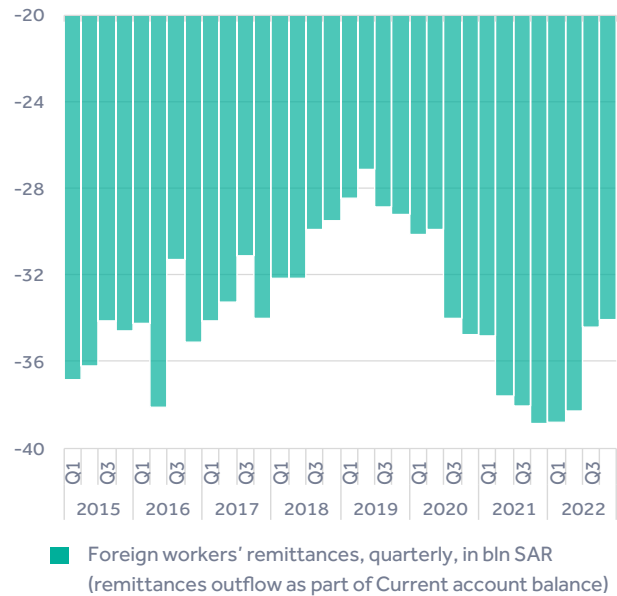
Saudi Balance of Payments

Figure 1:
Current Account Balance



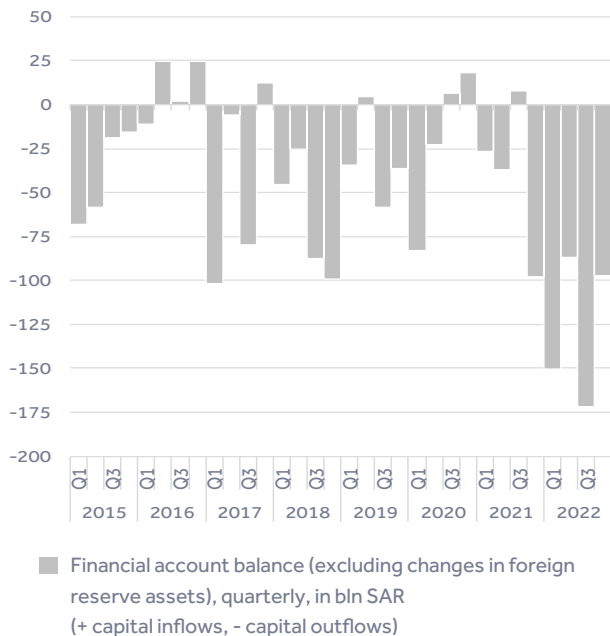
source: SAMA

Figure 2:
Foreign Workers' Remittances



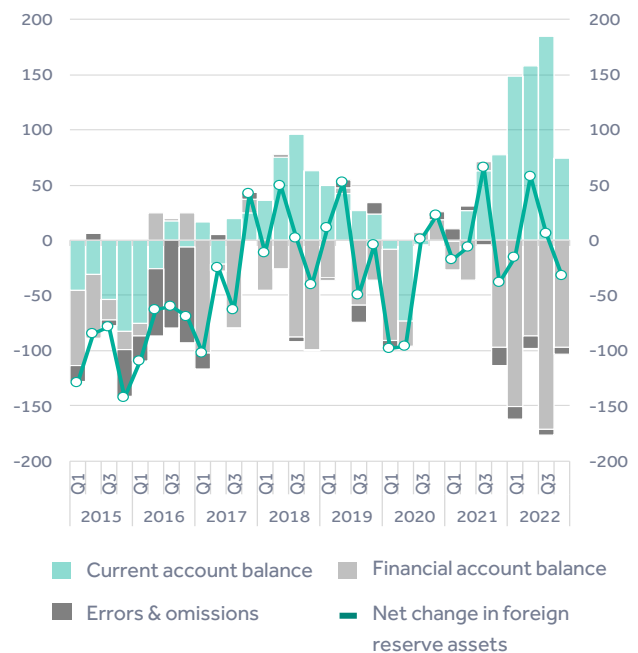
source: SAMA

Figure 3:
Financial Account Balance



source: SAMA

Figure 4:
Contribution to Balance of Payments



source: SAMA

In Q4 2022, the current account surplus amounted to 74 bln SAR after a record surplus of 185 bln SAR in the previous quarter. For the full year 2022, the current account surplus reached 565 bln SAR (14.4% of

GDP), the highest surplus since 2012. In contrast, the financial account balance showed a deficit of -507 bln SAR for the year 2022. Official SAMA reserves overall increased by 17 bln SAR in 2022.

Tadawul: Saudi Equity Market Statistics

Figure 1:
Tadawul All-Share Index



Figure 2:
Tadawul Average Daily Traded Value

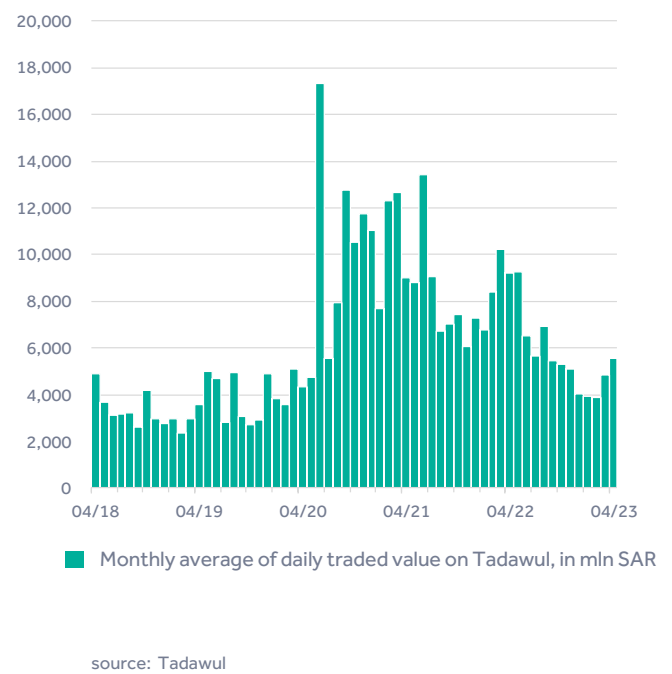


Figure 3:
Monthly Net Purchase by Ownership (in bln SAR)

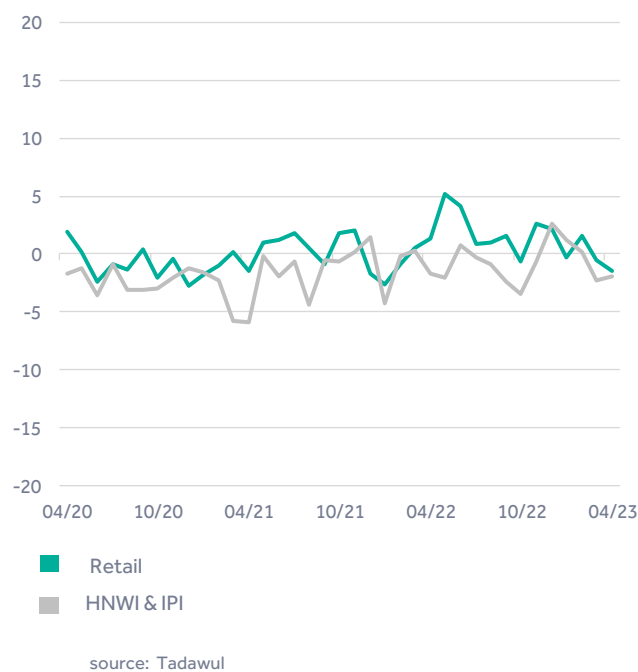
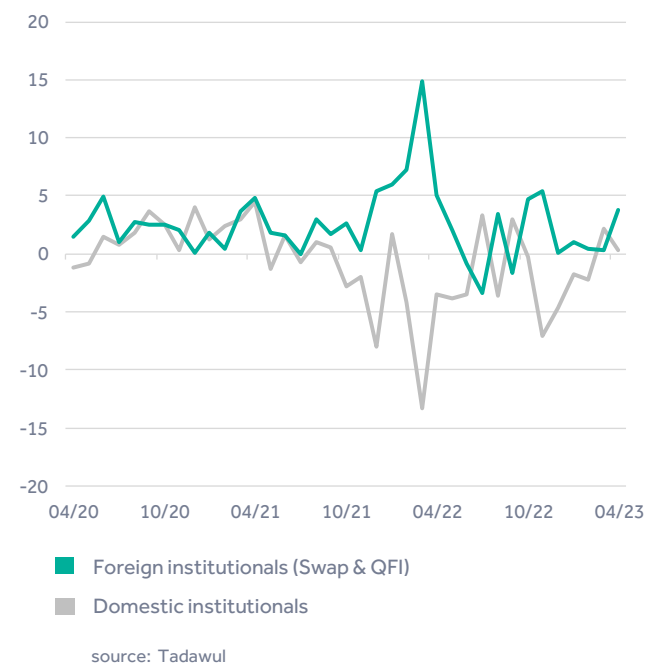


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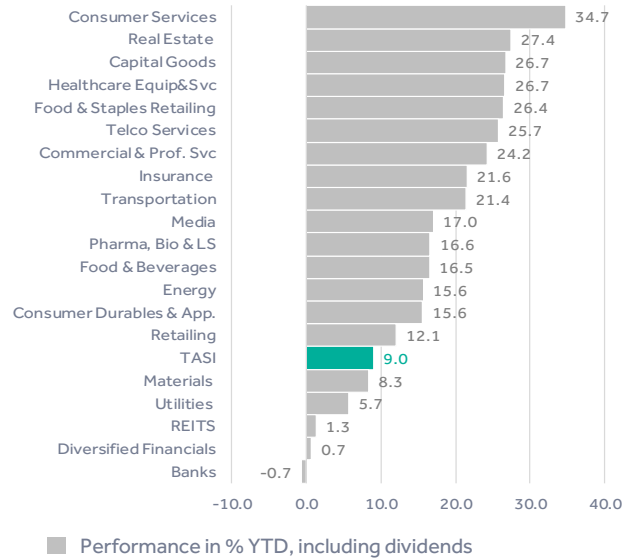


The Saudi equity market rallied during Ramadan to levels above 11'000 after having dropped below 10'000 by mid of March. This market rally was accompanied by rising trading activity with an average

traded value of 5.6 bln SAR in April. Foreign institutional investors turned out to be net buyers of Saudi equities especially during the month of April, while domestic private investors were net sellers.

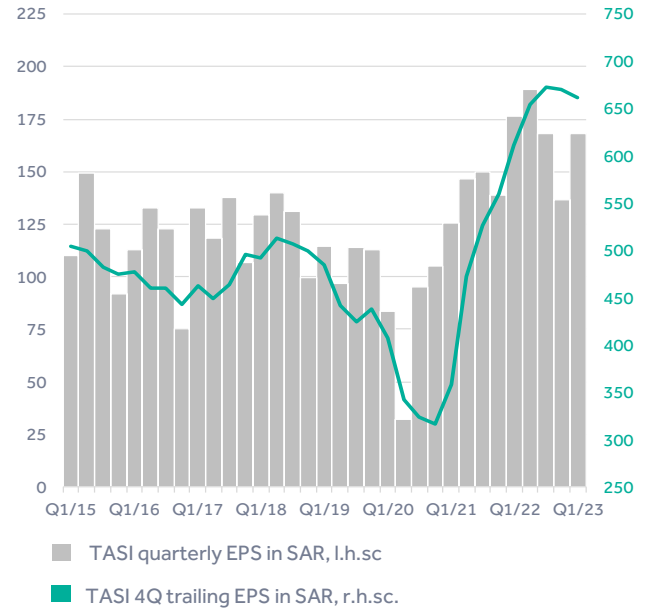
Tadawul: Saudi Equity Market Statistics

Figure 1:
Performance TASI Sectors April 2023YTD



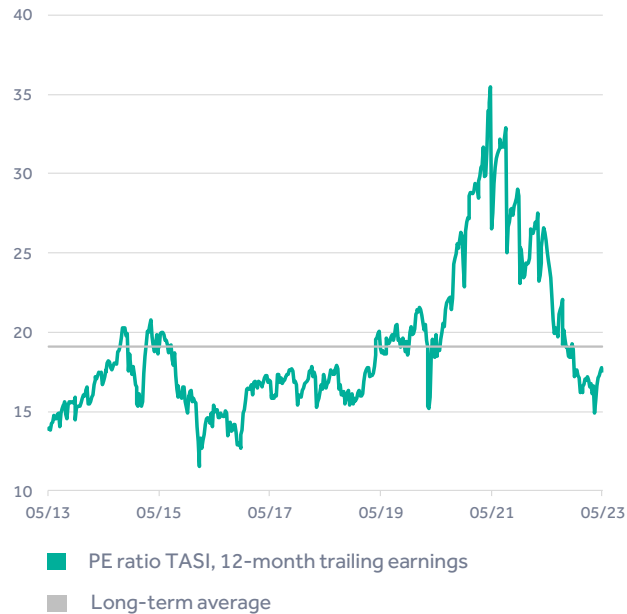
source: Bloomberg

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

In the first four months, TASI recorded a total return of 9.0%. In a sector comparison, consumer services showed the best performance with +34.7%, while banks as the largest sector in the index were at the

bottom of the league table with -0.7%. From a valuation perspective, TASI is currently traded below its long-term average on the basis of its trailing PE and gradually above average with its forward PE-ratio.

Saudi Economic Outlook

Saudi economic growth is expected to consolidate in 2023 after a peak growth of 8.7% in the previous year.

The primary growth driver in 2022 was the oil sector which expanded by 15.4%, the strongest yearly growth rate since 2003. On the back of OPEC's latest output cut decisions, the average Saudi crude production is expected to gradually decrease in 2023 which will translate into a negative GDP growth contribution by the oil sector of -2.8% in 2023.

We expect this decline in crude output in 2023 to reverse in the course of next year and forecast an oil sector GDP contribution of 4.1% in 2024.

For the non-oil activities, we expect continued solid growth, fostered by a growth-oriented fiscal policy with a focus on increased investment spending which will spur growth in 2023 and 2024. For this year, we project non-oil activities to grow by 5.1%, for 2024 by 4.8%.

As a consequence, we expect the overall economy to expand by 1.5% in 2023. For next year, we forecast GDP growth to accelerate to 4.1%.

For global oil prices, we expect in our baseline scenario some weakness to prevail in the short term on the back of a cooling global economy, but a distinct recovery back to a level of 100 USD for Brent towards the end of the year. For the full year 2023, we project an average Brent price of 90 USD. For 2024, our average Brent price forecast is 98 USD.

With a view on these oil price forecasts, we expect fiscal revenues to remain strong in 2023 and particularly in 2024. This will allow fiscal spending to be focused on economic growth and yet, still generate a broadly balanced budget this year (+0.5% of GDP) and a decent surplus in 2024 (+2.8% of GDP).

Strong oil export revenues will also lead to substantial surpluses in the current account balance for 2023 and 2024. For this year, we expect a surplus of 9.2% of GDP, for next year 13.0% of GDP.

In our baseline scenario, we expect the US Federal Reserve to keep FED fund rates at a peak of 5.25% and to start cutting earliest by end of this year. For 2024, we expect overall four rate cuts. SAMA will follow with its policy rates accordingly.

Facts and Forecasts at a Glance

	2021	2022	2023f	2024f
Real GDP Growth				
Overall economy	3.2	8.7	1.5	4.1
Non-oil Activities	6.1	5.4	5.1	4.8
Government Activities	1.5	2.3	2.3	2.1
Oil Activities	0.2	15.4	-2.8	4.1
Fiscal Balance and Government Debt				
Fiscal Balance in bln SAR	-73	104	18	110
Fiscal Balance in % GDP	-2.3	2.6	0.5	2.8
Government debt in bln SAR	938	985	951	959
Government debt as % GDP	30.0	25.1	24.5	24.2
Trade and Current Account Balance				
Trade Balance in bln SAR	512	880	697	846
Trade Balance in % GDP	16.4	22.4	18.0	21.3
Current Account in bln SAR	166	565	355	516
Current Account in % GDP	5.3	14.4	9.2	13.0

source: GASTAT, SAMA, RC

	2021	2022	2023f	2024f
Oil Prices and Production (yearly average)				
Brent price (USD pb)	70.9	99.0	90.0	98.0
WTI price (USD pb)	68.0	94.3	84.0	94.0
OPEC Basket price (USD pb)	69.8	100.0	90.0	98.0
KSA oil production (mln bd)	9.1	10.6	10.2	10.6
Inflation and Interest Rates (year end)				
CPI Inflation (yearly average)	3.06	2.47	2.70	2.20
3M SAIBOR SAR	0.91	5.34	5.55	4.45
Reverse Repo Rate	0.50	4.50	5.00	4.00
Official Repo Rate	1.00	5.00	5.50	4.50
Labor Market (yearly average)				
Unemployment rate total in %	6.7	5.8	5.7	5.6
Unemployment rate Saudi in %	11.3	9.7	9.5	9.3
Labor force part. total in %	61.2	60.8	61.3	61.9
Labor force part. Saudi in %	50.1	51.5	52.6	53.1

source: GASTAT, SAMA, Bloomberg, RC

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