



**SAUDI ECONOMIC
CHARTBOOK**

Third Quarter 2023

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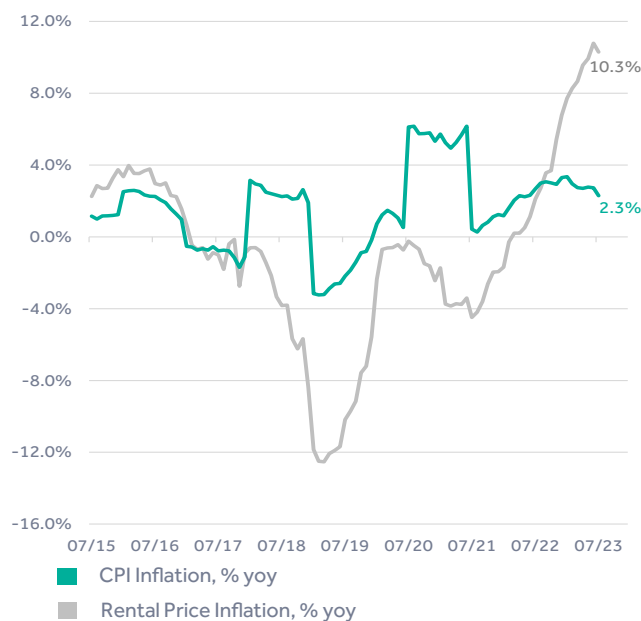
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Fiscal Surplus in 2023 Due to Aramco Performance Dividend

- Based on flash estimates, the Saudi economy expanded by 1.1%yoy in Q2 2023 after 3.8%yoy in Q1. GDP growth moderated due to oil production cuts which translated into an oil sector GDP growth of -4.2%yoy in Q2 2023.
- Non-oil activities continue to show strong growth with 5.5%yoy in Q2 2023. We expect this growth momentum to carry on in 2023 and 2024. Overall, we forecast GDP growth to consolidate this year at 0.2%, but to reaccelerate to 4.6% in 2024, also supported by a rebound of oil sector growth next year.
- The government recorded a fiscal deficit of -8.1 bln SAR in H1 2023. While revenues declined by -8% vs. H1 2022, fiscal spending increased by 18%. Due to the new performance-linked Aramco dividend to be paid out in H2 2023, we expect the government to achieve a fiscal surplus this year.
- CPI inflation declined to 2.3%yoy in July 2023 after 3.4%yoy in January. Almost all index categories showed stable or gradually falling inflation rates since the beginning of the year with the exception of housing rents where price increases accelerated until recently (see graphic below).
- Saudi Arabia reduced its oil production to 9 mbd in July. We expect this voluntary output cut to hold into the 4th quarter 2023. This will substantially contribute to the transition of the oil market from a supply surplus to a deficit which, in turn, will cause further upward pressure on oil prices.
- The Saudi equity market rallied from a low around 10'000 in March to almost 12'000 in July, before a consolidation phase kicked-in. 17 out of 20 sectors outperformed the market so far this year, while the two largest sectors, banks and materials, notably underperformed.

Subdued Overall CPI Inflation but Rising Rental Price Inflation

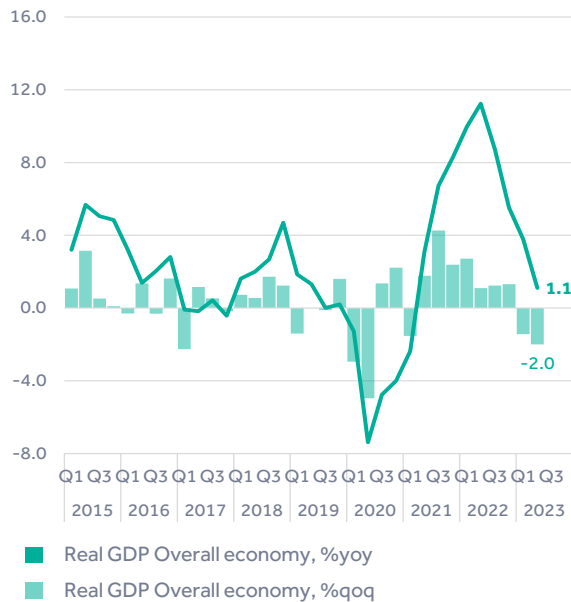


Contrary to major developed economies, Saudi Arabia has not experienced a massive surge in CPI inflation over the last two years. As an exception, housing rent prices have substantially picked up in the last 12 months. This is a reflection of the robust non-oil economy in general and the strong labor market with massive job creation in particular. After a substantial acceleration since mid of last year, rental inflation has finally shown a first sign of moderation by declining from 10.8% in June to 10.3% in July.

source: GASTAT

Gross Domestic Product (GDP) by Main Economic Activities

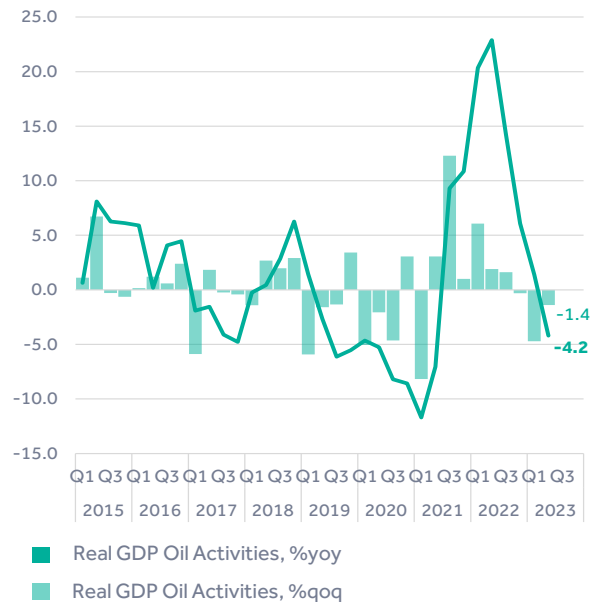
Figure 1:
GDP Overall Economy



(Q2 2023 flash estimate)

source: GASTAT

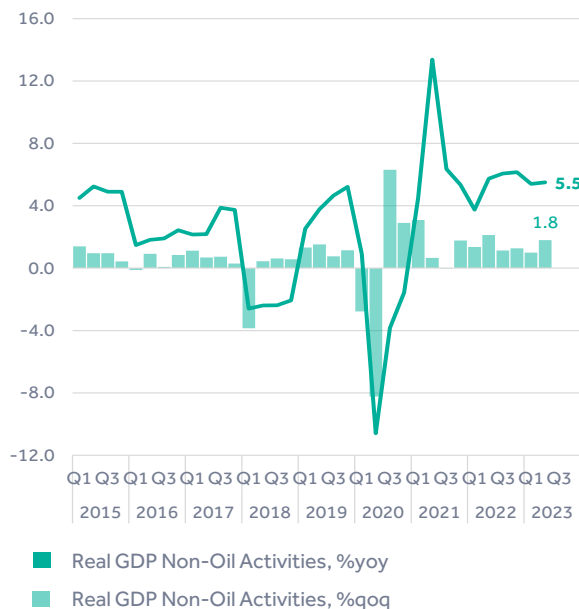
Figure 2:
GDP Oil Activities



(Q2 2023 flash estimate)

source: GASTAT

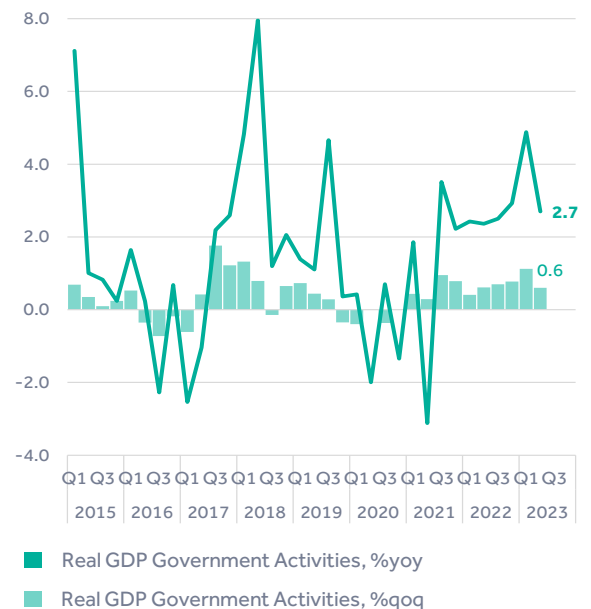
Figure 3:
GDP Non-Oil Activities



(Q2 2023 flash estimate)

source: GASTAT

Figure 4:
GDP Government Activities



(Q2 2023 flash estimate)

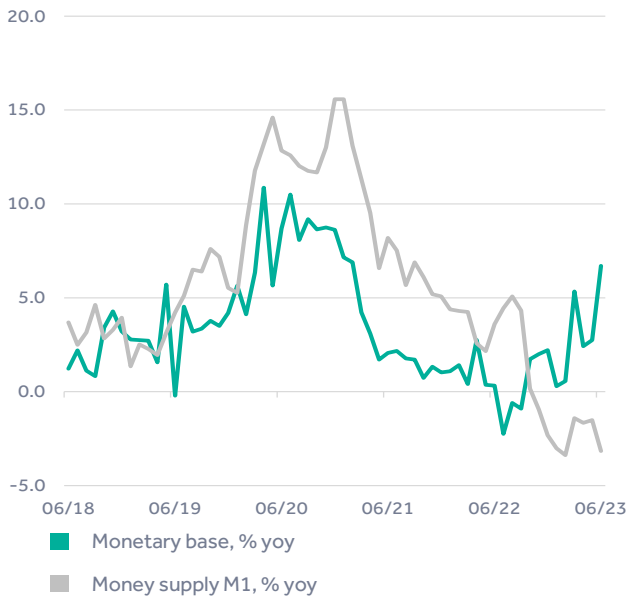
source: GASTAT

Based on flash estimates, Saudi economic growth slowed to 1.1%yoy in Q2 2023 after a growth rate of 3.8%yoy in the first quarter. This growth deceleration can be explained by a contraction of oil sector

GDP growth in the second quarter by -4.2%yoy due to the oil output cuts in the last 12 months. Meanwhile, non-oil activities continued to show strong growth at a rate of 5.5%yoy after 5.4%yoy in Q1.

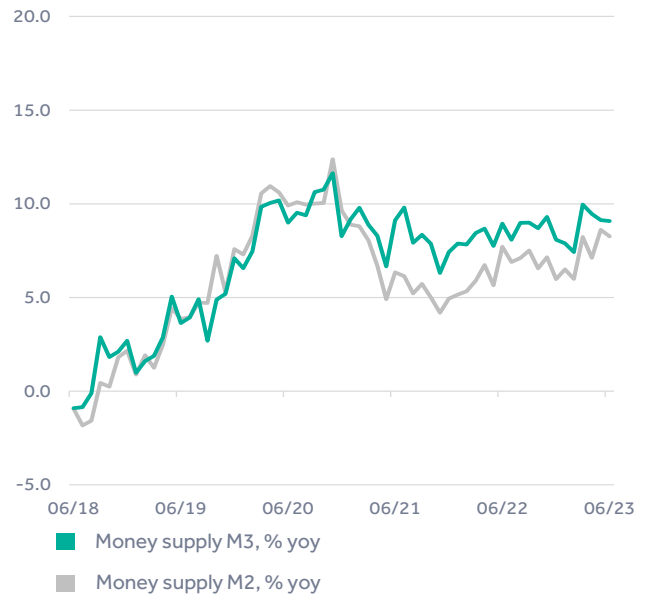
Monetary Aggregates, Credit and Commercial Banks' Deposits

Figure 1:
Growth Rate Monetary Base and Money Supply M1



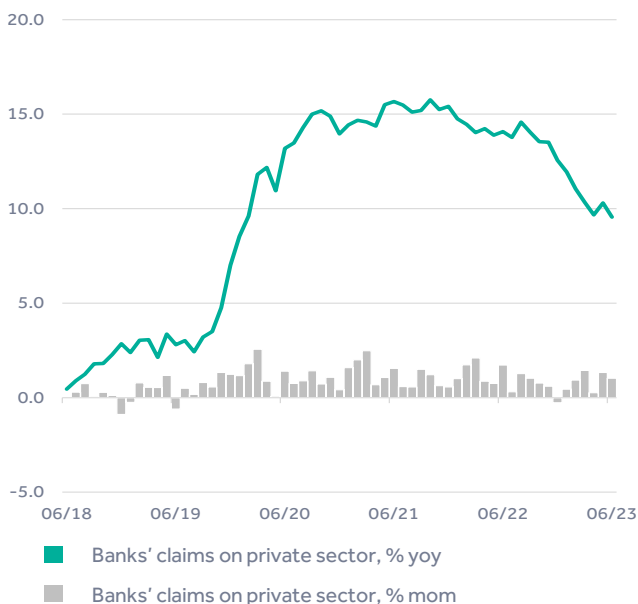
source: SAMA

Figure 2:
Growth Rate Money Supply M2 and M3



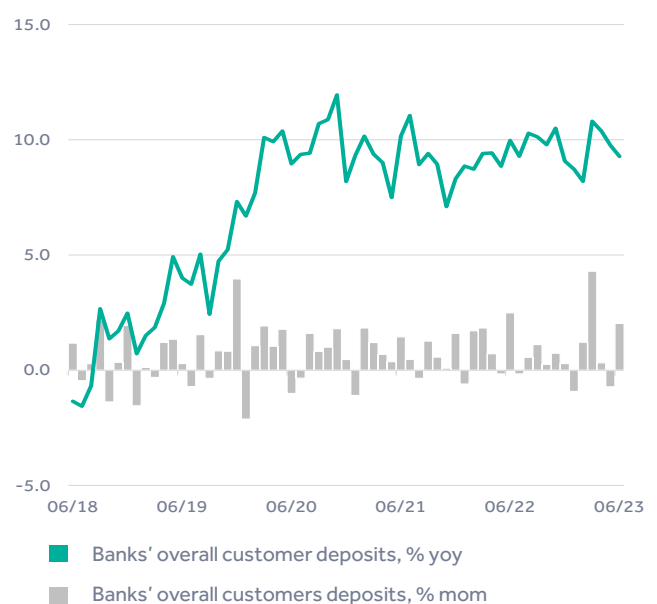
source: SAMA

Figure 3:
Growth of Credit to the Private Sector



source: SAMA

Figure 4:
Growth of Commercial Banks' Deposits



source: SAMA

Broader money supply aggregates expanded at solid rates of 8.3%yoy (M2) resp. 9.1%yoy (M3) by mid-year 2023. Meanwhile, the growth rate of credit to the private sector continued to slow to 9.6%yoy in

June. This growth deceleration can be explained by faltering demand for residential mortgage loans as well as personal loans on the back of sharply increased funding costs in the last 12 months.

Commercial Banks Key Ratios

Figure 1:
Private Sector Loan-Deposit-Ratio

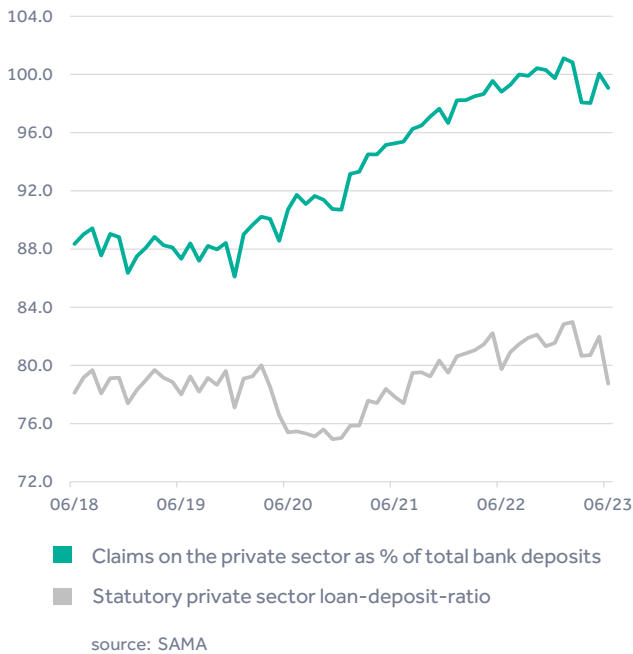


Figure 2:
Government Sector Loan-Deposit-Ratio



Figure 3:
Foreign Assets to Total Assets Ratio

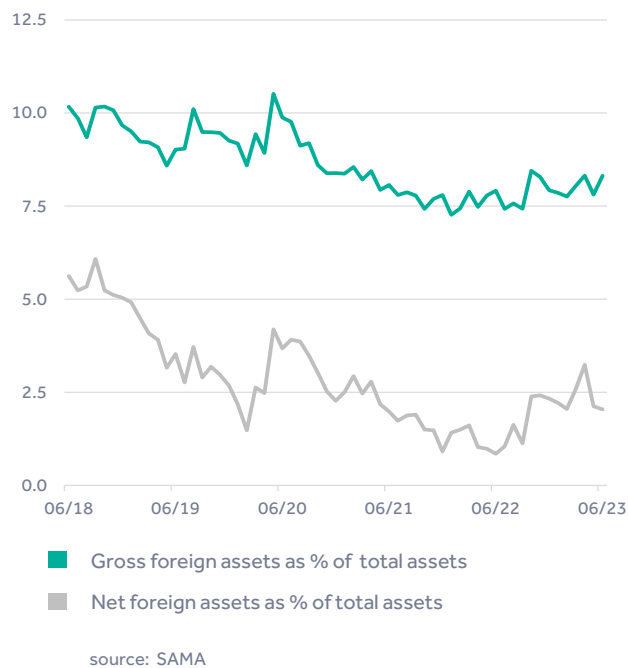
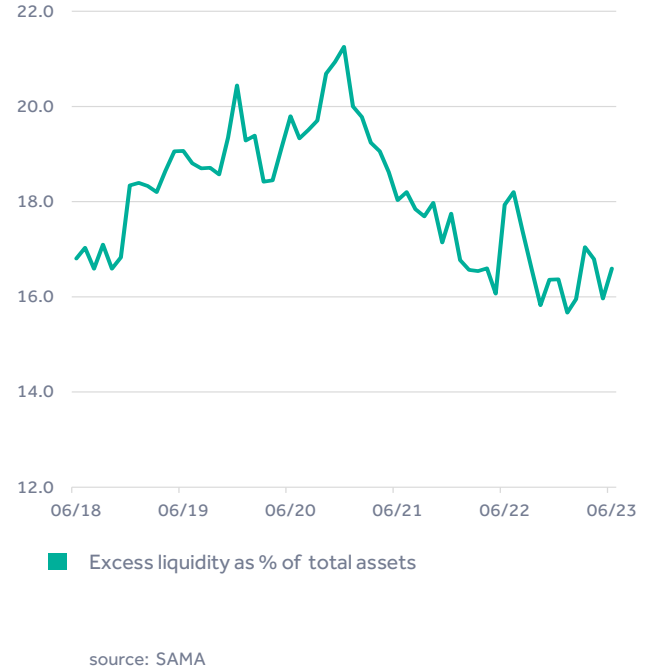


Figure 4:
Excess Liquidity to Total Assets Ratio

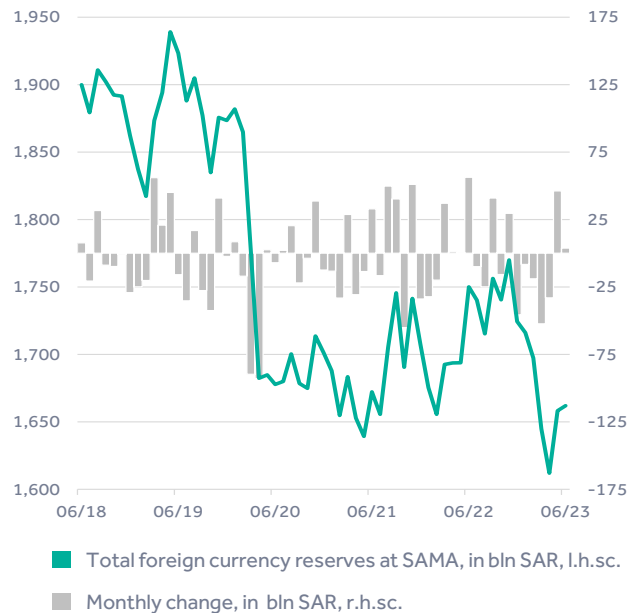


In June 2023, the statutory LDR dropped from 82.0 to 78.7, primarily as a result of a modification in the calculation methodology by SAMA. This will offer banks additional leeway to extend credit to the pri-

vate sector going forward. At the same time, excess liquidity in the banking sector climbed from 16.0% to 16.6%, mainly due to an increase in deposits of commercial banks at the central bank SAMA.

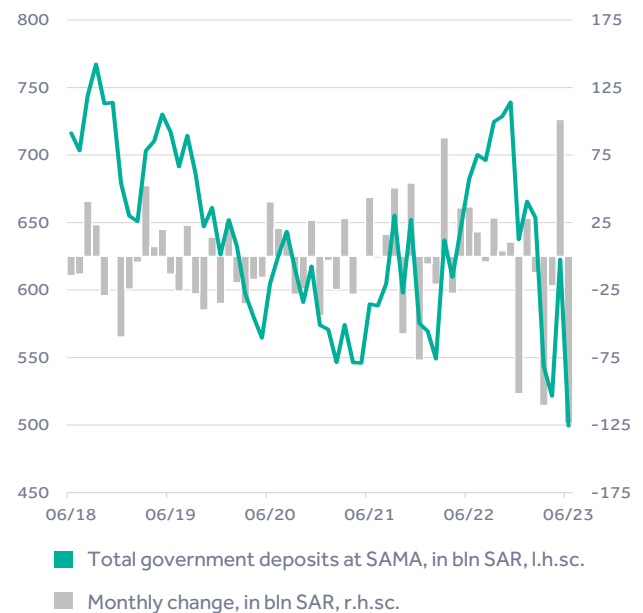
SAMA Balance Sheet and Government Deposits

Figure 1:
Foreign Currency Reserves at SAMA



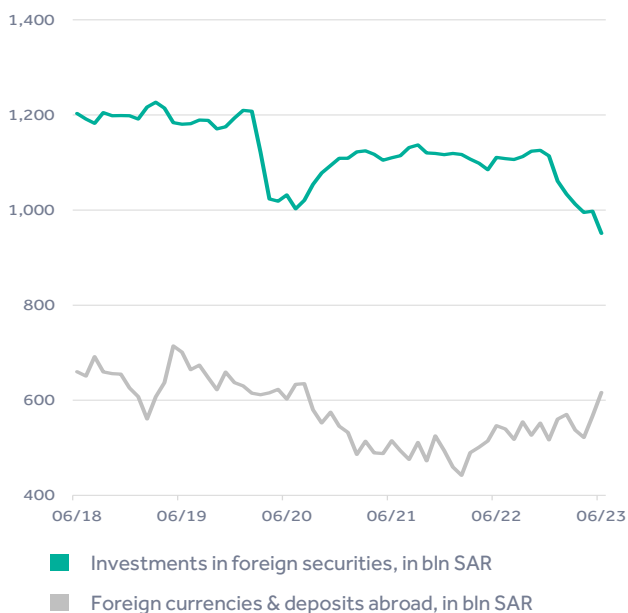
source: SAMA

Figure 2:
Government Deposits at SAMA



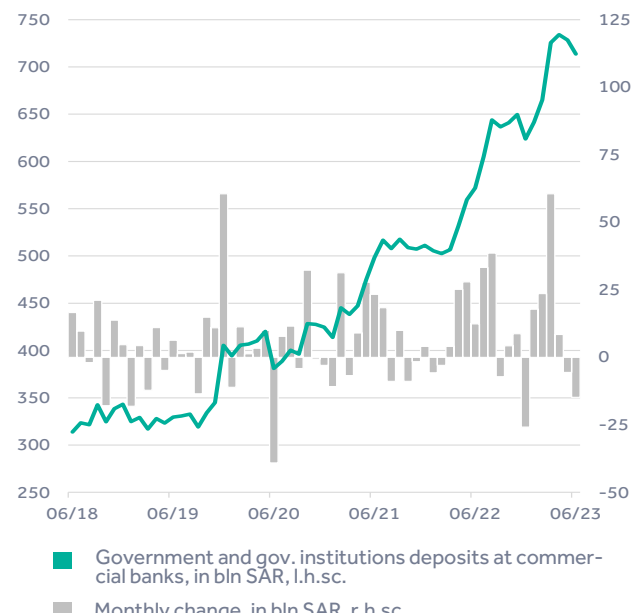
source: SAMA

Figure 3:
Breakdown of Foreign Currency Reserves at SAMA



source: SAMA

Figure 4:
Government Deposits at Commercial Banks



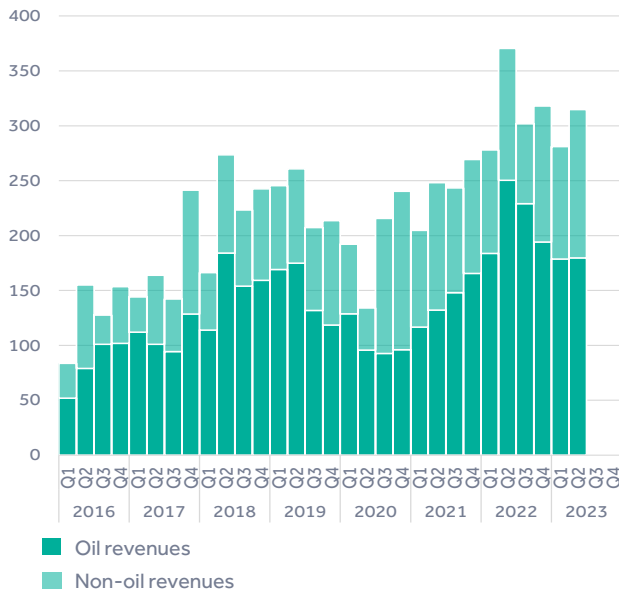
source: SAMA

From December 2022 to June 2023, SAMA reserves declined by 62 bln SAR. This reduction affected primarily SAMA holdings of foreign securities which dropped by 162 bln SAR, while positions in foreign

deposits increased by about 100 bln SAR. Government deposits recorded an increase of 101 bln SAR in May, mainly due to the Aramco dividend payment, followed by a withdrawal of -123 bln SAR in June.

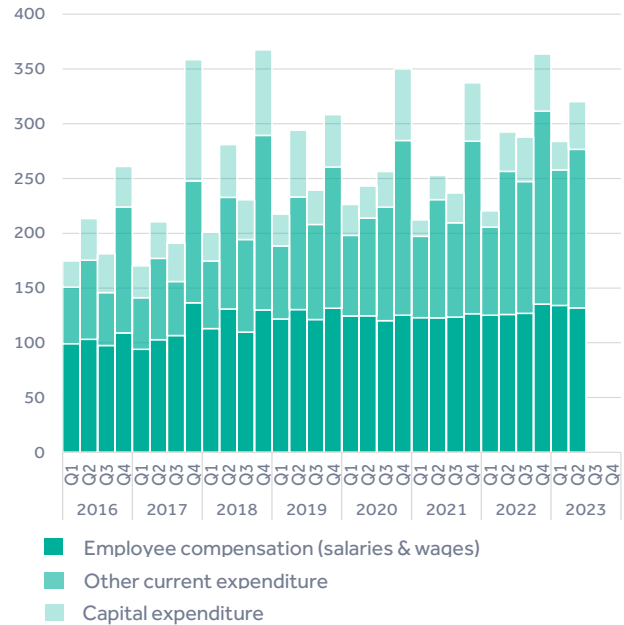
Quarterly Fiscal Balance and Outstanding Government Debt

Figure 1:
Quarterly Fiscal Revenues (in bln SAR)



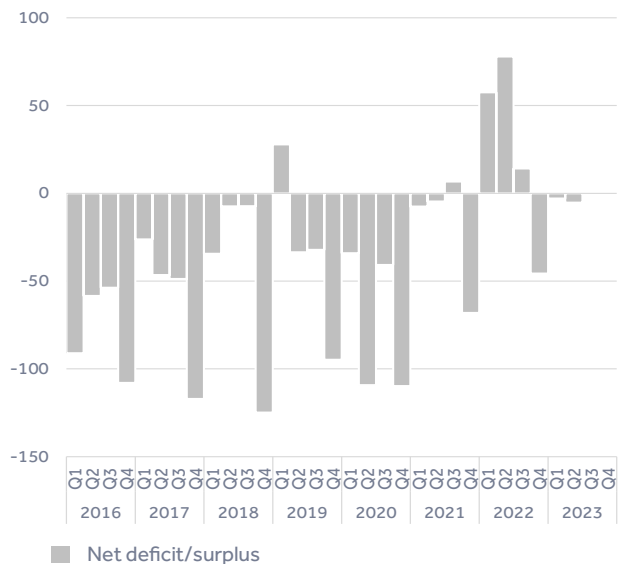
source: MoF

Figure 2:
Quarterly Fiscal Expenditure (in bln SAR)



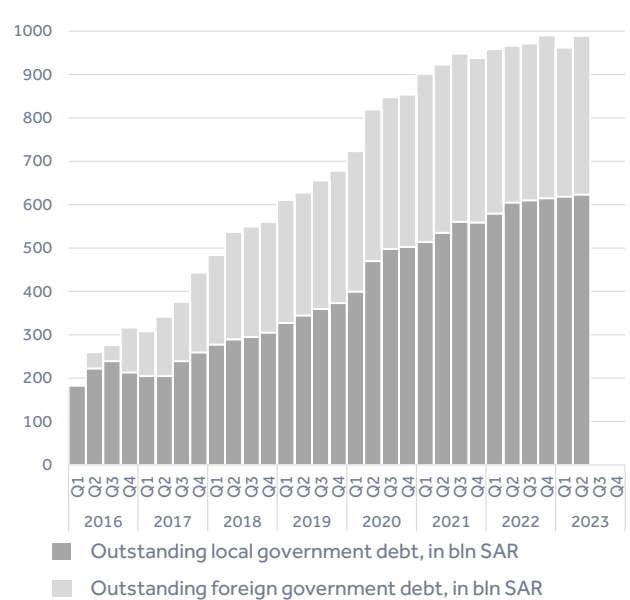
source: MoF

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



source: MoF

Figure 4:
Outstanding Government Debt (End of Quarter)



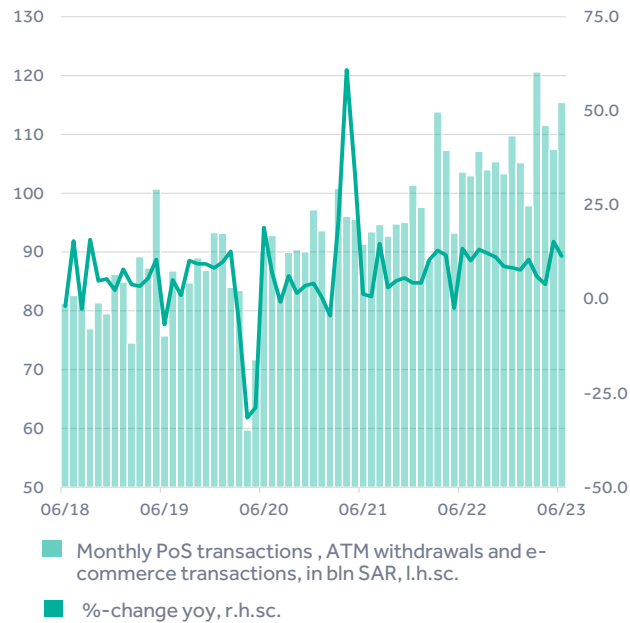
source: MoF

The government recorded a deficit of -5.3 bln SAR in Q2 2023. Fiscal revenues decreased by -15% compared to Q2 2022 due to oil revenues dropping by -28%yoy which was only partially compensated

by an increase of +13%yoy in non-oil revenues. Fiscal expenditure rose by +9%yoy with a substantial increase of capital expenditure by 21%yoy, while the government payroll expanded by 4.7%yoy.

Indicators for Private Spending and Non-Oil Business Climate

Figure 1:
Private Spending Indicator



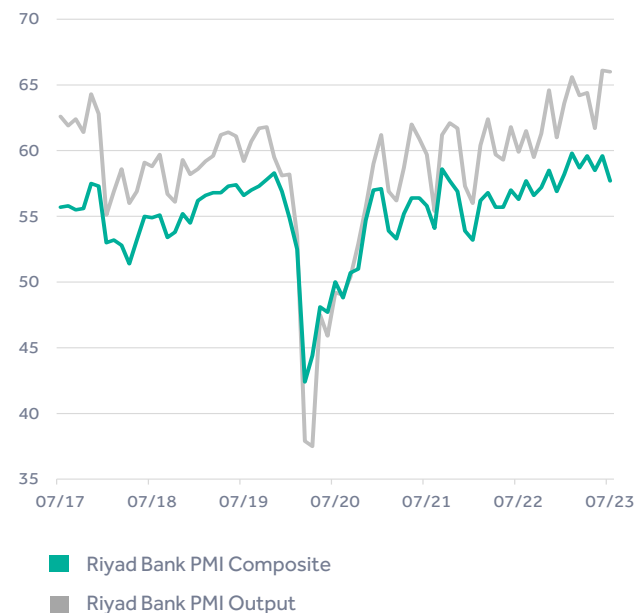
source: SAMA

Figure 2:
Consumer Sentiment Indicator



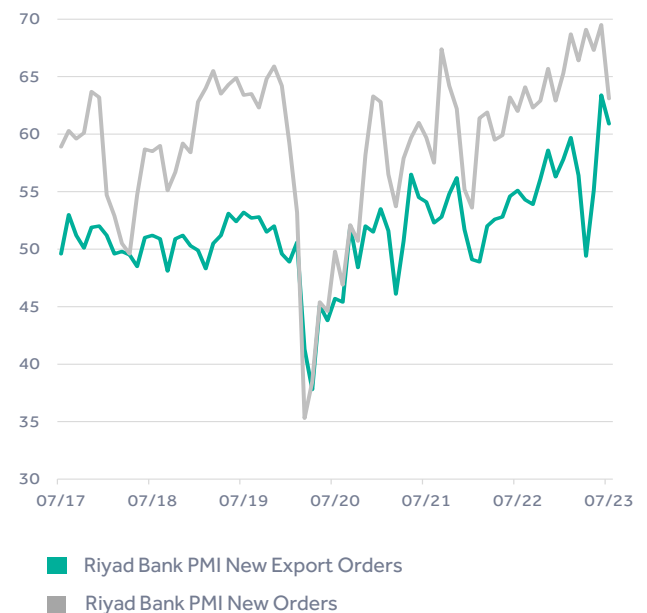
source: Refinitiv

Figure 3:
PMI Composite and PMI Output



source: IHS Markit

Figure 4:
PMI New Orders and PMI New Export Orders



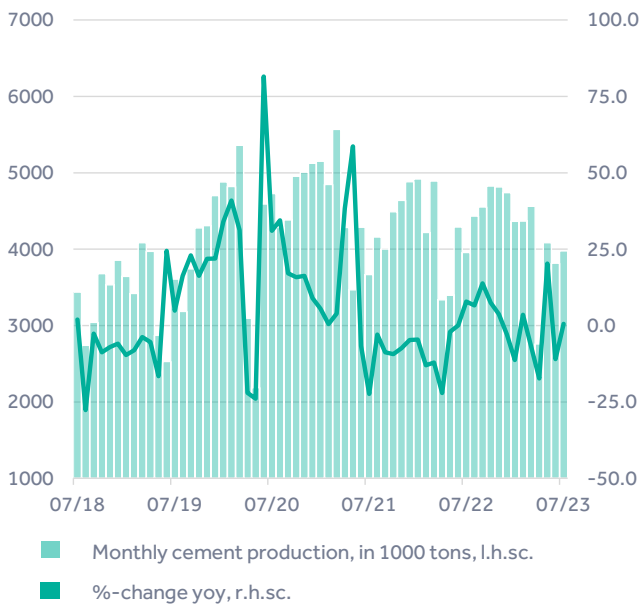
source: IHS Markit

Consumer spending remained strong in Q2 2023 on the back of still elevated consumer sentiment, ending up with a growth rate of 11.4%yoy in June after 15.2%yoy in May. Meanwhile, the most recent data

of the PMI Composite in July showed that business climate gradually slowed with a reading of 57.7 after a temporary peak of 59.6 in June. Further, PMI New Orders dropped from 69.5 to 63.1 in July.

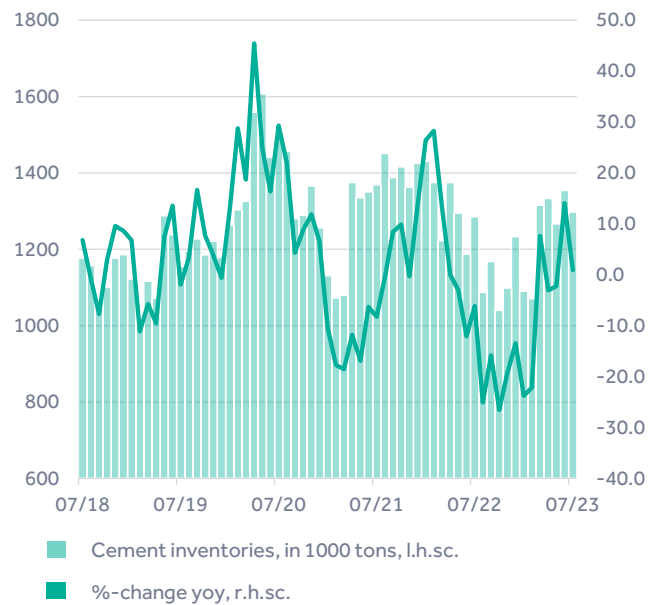
Cement Sector and Non-oil Exports and Imports

Figure 1:
Cement Production



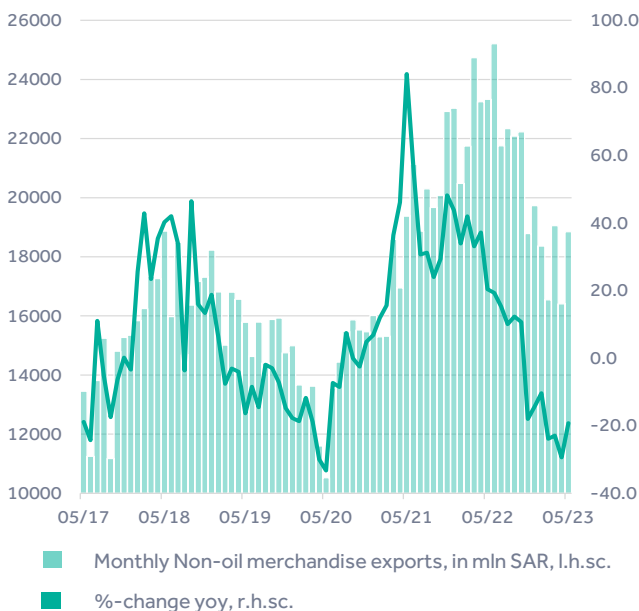
source: Yamama Cement

Figure 2:
Cement Inventories



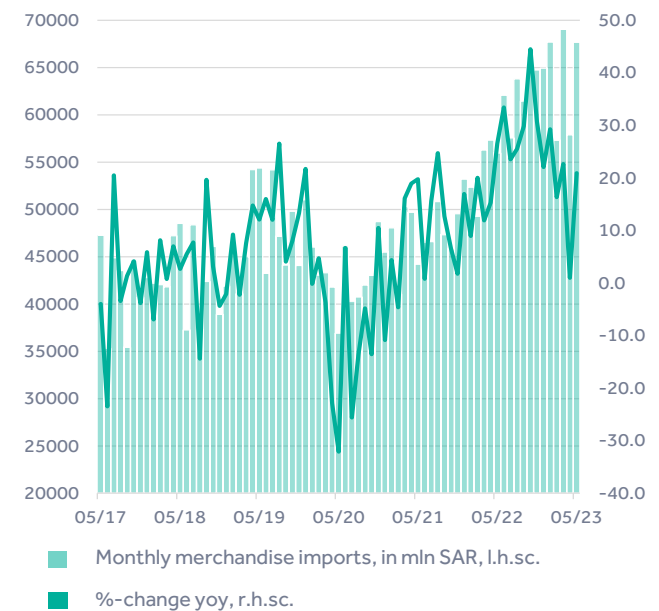
source: Yamama Cement

Figure 3:
Non-Oil Merchandise Exports



source: GASTAT

Figure 4:
Merchandise Imports



source: GASTAT

In the first seven months of 2023, cement production declined by -3.7% compared to the same period in 2022, while inventories dropped by -4.4%. Non-oil exports declined in May 2023 by -19% compared

to the previous year. Since the peak level in June 2022, the reduction in non-oil exports amounts to -25%. On the other hand, merchandise imports grew in May at a healthy rate of 21%yoy.

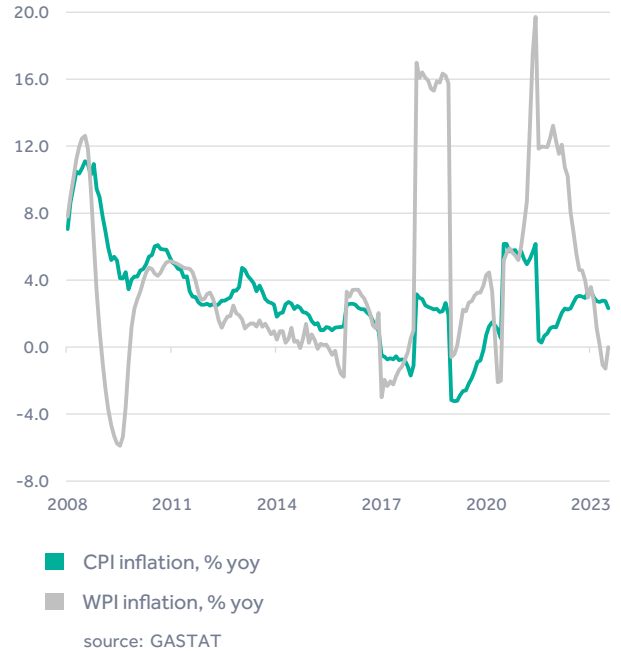
Consumer and Wholesale Price Inflation

Figure 1:
Consumer Price Inflation All Items



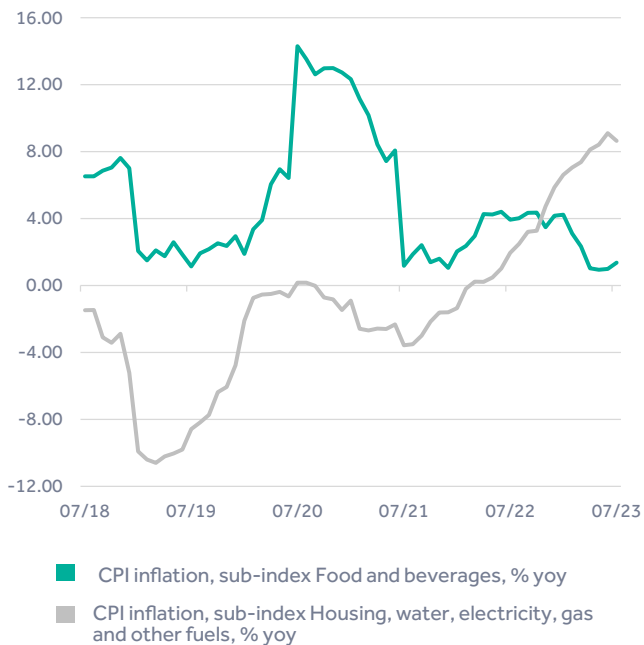
source: GASTAT

Figure 2:
Consumer Price and Wholesale Price Inflation



source: GASTAT

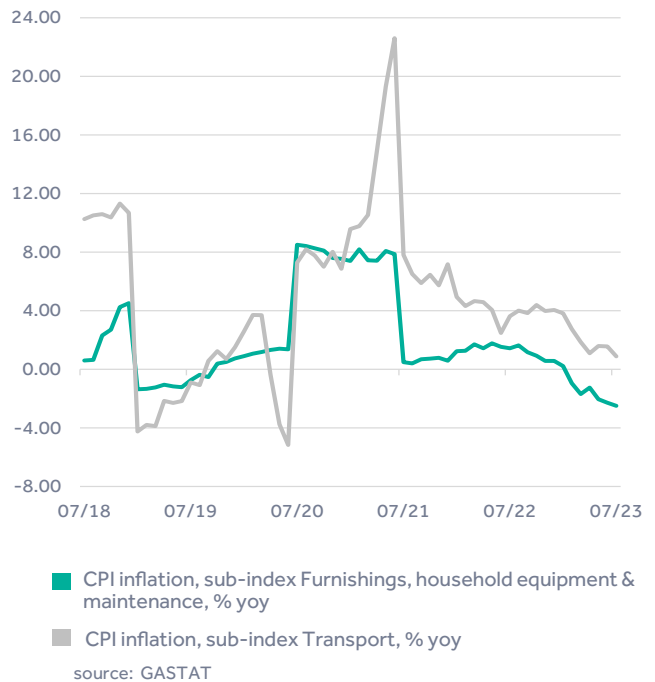
Figure 3:
CPI Inflation Food & Housing



source: GASTAT

Saudi CPI inflation declined to 2.3% in July from 3.4% in January. Since then, almost all index categories showed stable or gradually falling inflation rates. As an exception, the category Housing,

Figure 4:
CPI Inflation Furnishings & Transportation

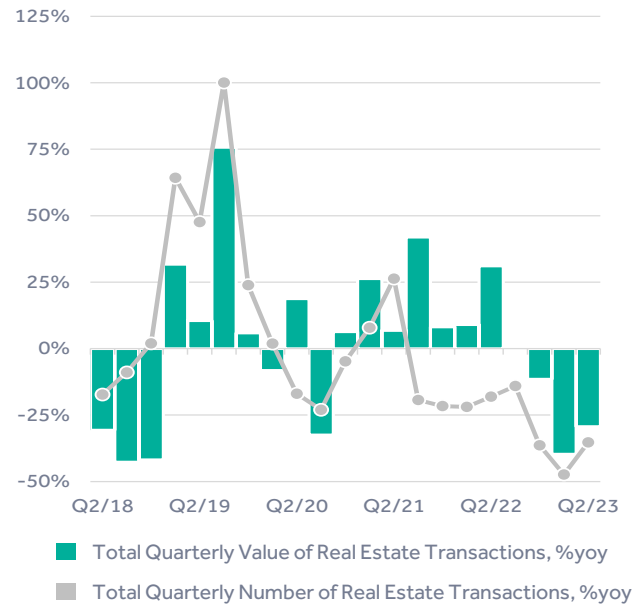


source: GASTAT

Water & Electricity saw an accelerating inflation, mainly driven by soaring rental prices. As a first sign of relief, July showed a declining inflation rate also for this category with 8.6%yoy after 9.1%yoy in June.

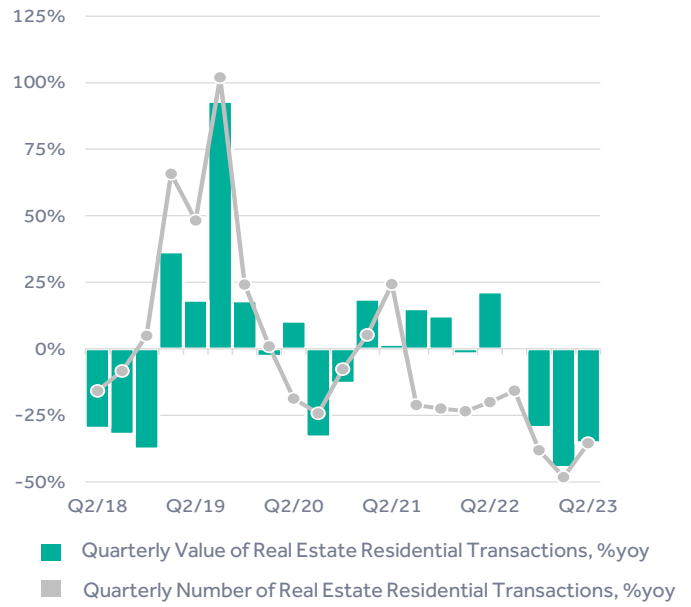
Real Estate Market: Transaction Activity

Figure 1:
Real Estate Transactions Total %yoy



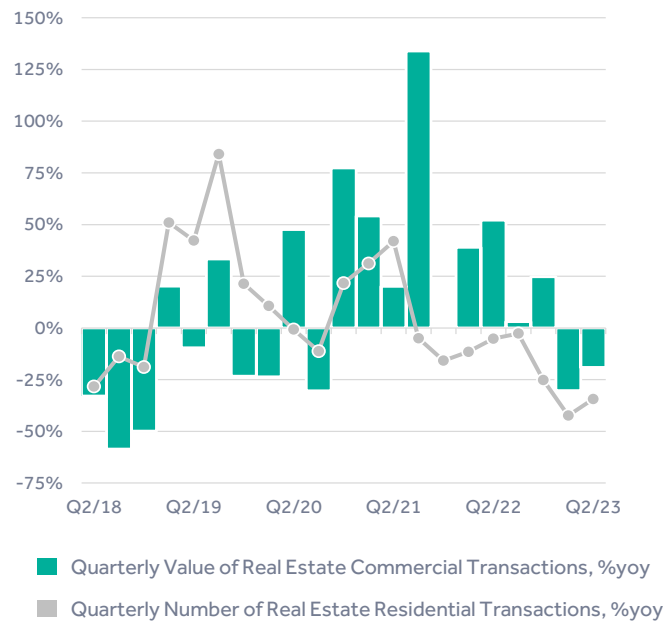
source: MOJ, RC

Figure 2:
Real Estate Transactions Residential %yoy



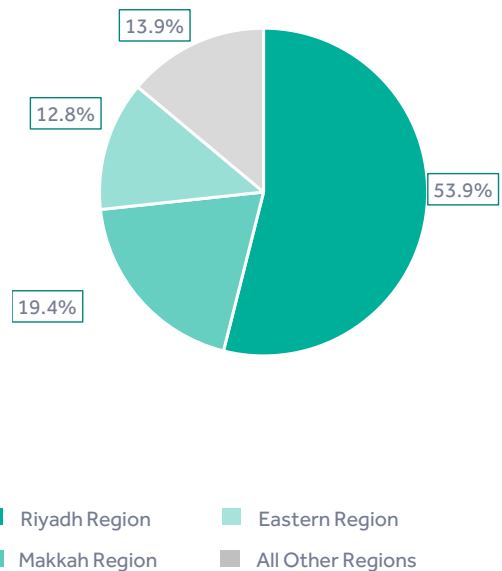
source: MOJ, RC

Figure 3:
Real Estate Transactions Commercial %yoy



source: MOJ, RC

Figure 4:
Breakdown of Transaction Value by Regions (Q2 2023)



source: MOJ, RC

In Q2 2023, the total value of real estate transactions contracted in a yearly comparison by -35%yoy after -47%yoy in Q1. For H1 2023, this drop in the deal value amounted to -42%yoy. The residential

transaction value decline by -35%yoy in Q2, while commercial transactions contracted by -34%yoy. Meanwhile, real estate transactions in the Riyadh region covered 54% of all transactions in KSA.

Real Estate Market: Price Indices

Figure 1:
General Real Estate Index

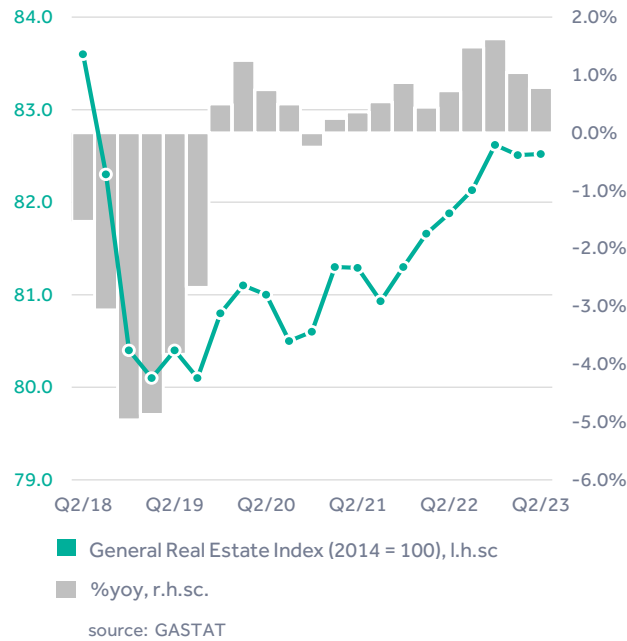


Figure 2:
Residential Real Estate Index

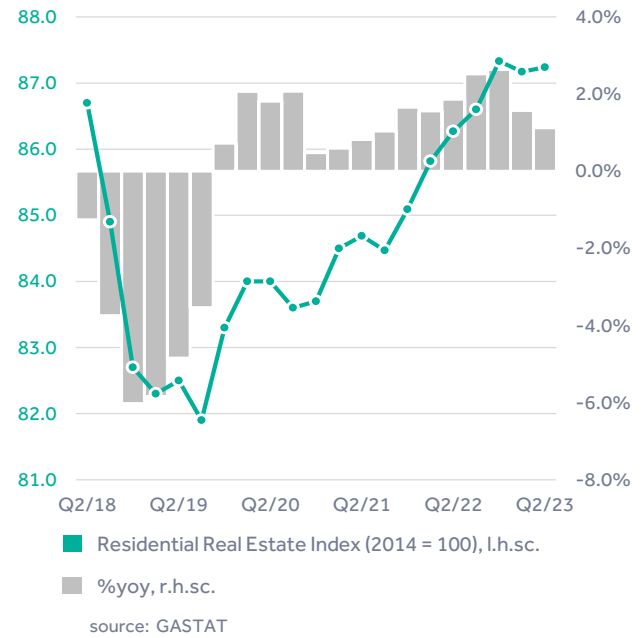


Figure 3:
Commercial Real Estate Index

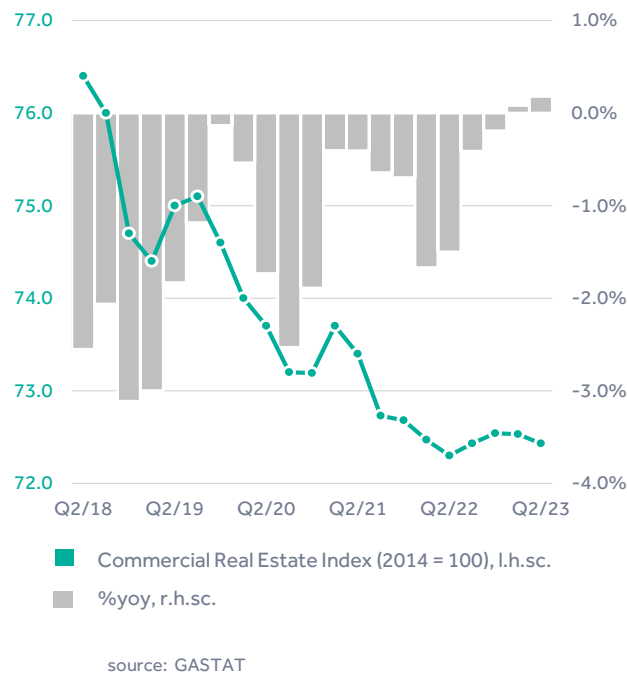
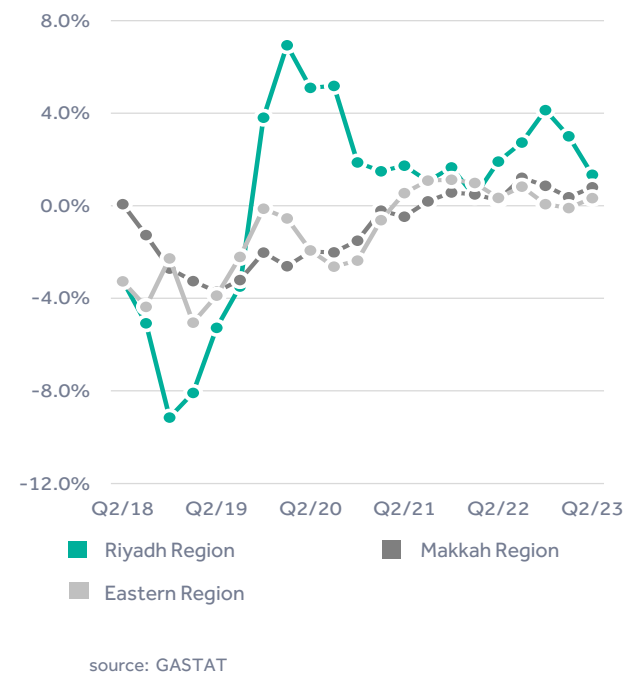


Figure 4:
Real Estate Price Indices Main Regions (%yoy)



Price increases of the general Real Estate Index slowed to 0.8%yoy in Q2 2023 after a peak growth of 1.6% in Q4 2022. Residential prices advanced by 1.1%yoy in Q2 2023 after 2.6%yoy in Q4 2022. Con-

trary to residential property prices which bottomed in 2020, commercial real estate prices showed only positive quarterly year-on-year growth rates in H1 2023 after a protracted decline since 2015.

Oil Market Statistics: Production, Exports, Refinery and Prices

Figure 1:
Saudi Crude Oil Production and Exports

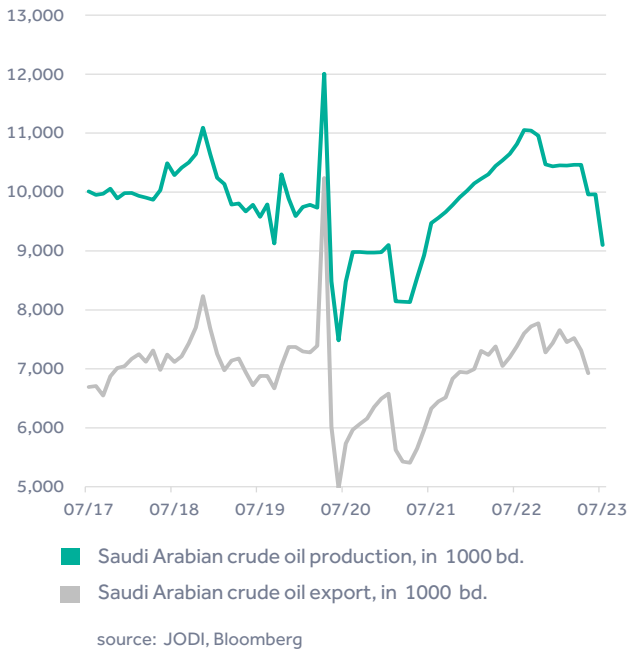


Figure 2:
Saudi Crude Refinery Output and Exports

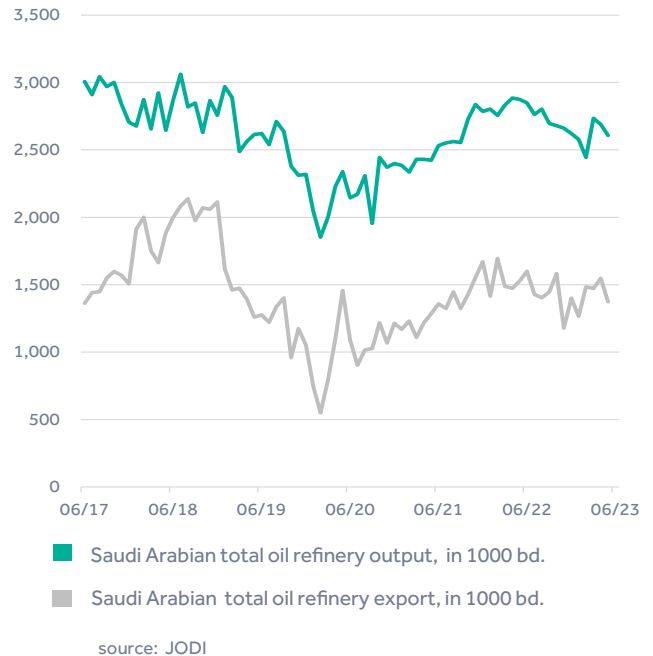


Figure 3:
OPEC Crude Output



Figure 4:
Oil Prices



As officially announced, Saudi crude production was reduced to close to 9 mbd in July. We expect this voluntary output cut to hold into the 4th quarter 2023. Accordingly, OPEC production has dropped to

approx. 27.5 mbd in July which is about to cause the global oil market to transition from a supply overhang into a supply deficit. As a reaction on this, most recently oil prices have already started to rise.

Foreign Exchange and KSA Credit Spread

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



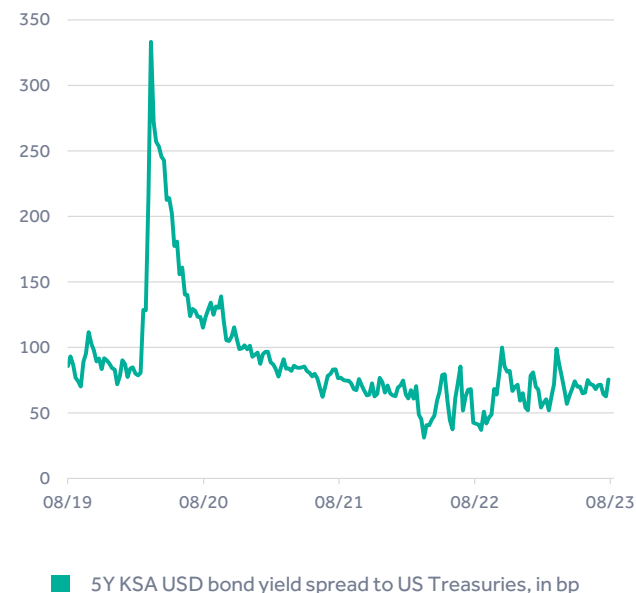
source: Bloomberg

Figure 2:
SAR Nominal and Real Effective Exchange Rate



source: Bloomberg, JP Morgan

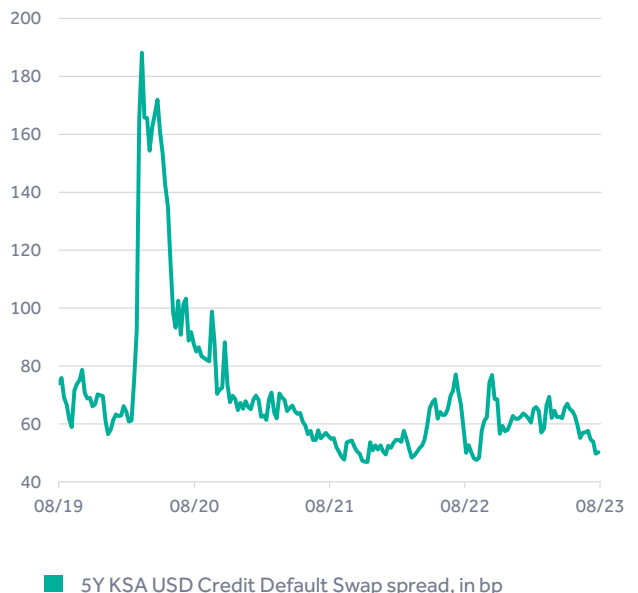
Figure 3:
KSA USD Bond Yield Spread to US Treasuries



source: Bloomberg

The 12M forward USD/SAR FX-rate declined to 3.7570 which implies a premium of only 50pip to the prevailing spot rate by mid-August. The SAR real exchange rate index remained range bound in 2023

Figure 4:
KSA CDS Spread



source: Bloomberg,

after a correction phase in Q4 2022. Besides, the spread of KSA 5Y Sukuk over US Treasury bonds stabilized around 75bp, while the 5Y KSA CDS spread dropped to a historically low level of 50 bp.

Short-term, Long-term and Official Interest Rates

Figure 1:
3-Months SAIBOR vs. USD 3M Term SOFR

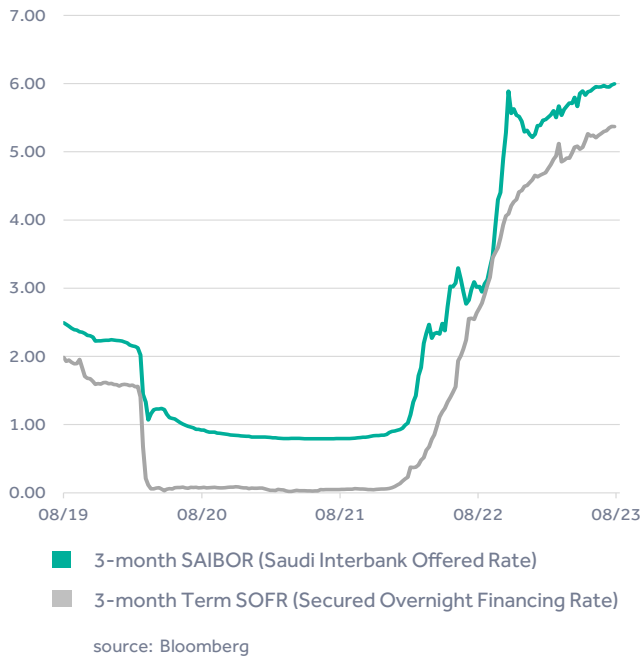


Figure 2:
5-Year Swap Rate SAR vs. USD

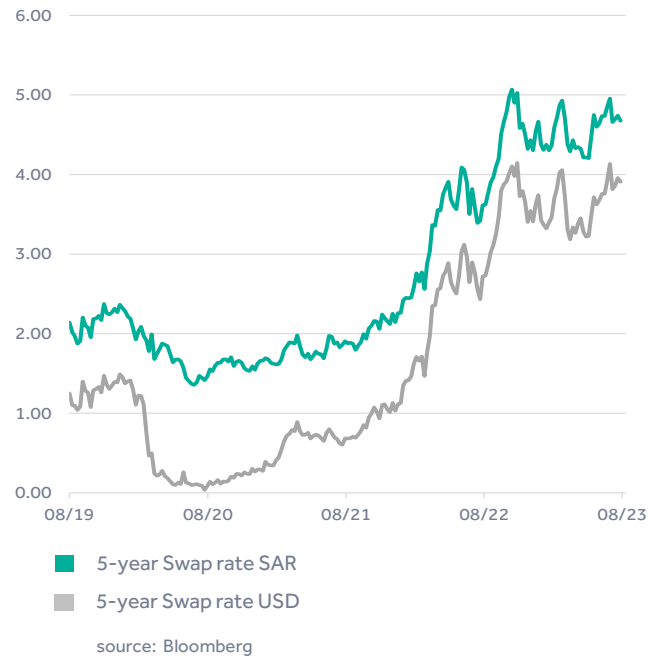


Figure 3:
5-Year KSA SAR Sukuk vs. USD Bond Yield

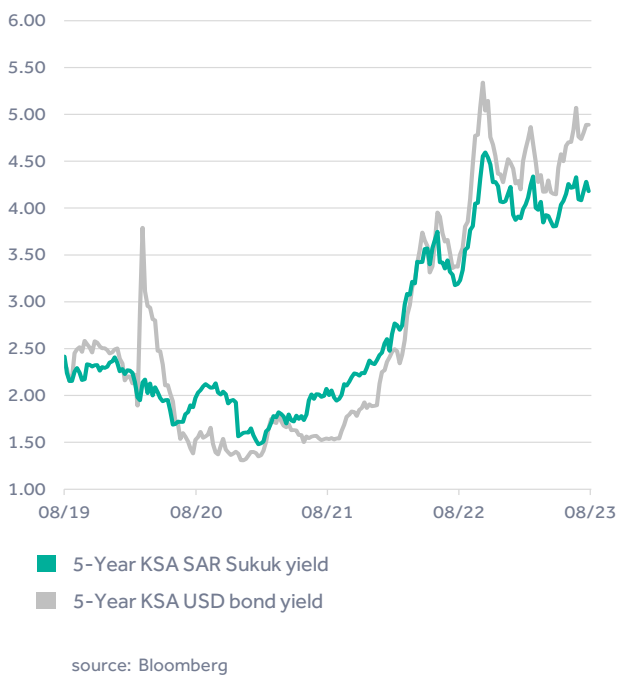


Figure 4:
Central Bank Rate and 3-Months SAIBOR

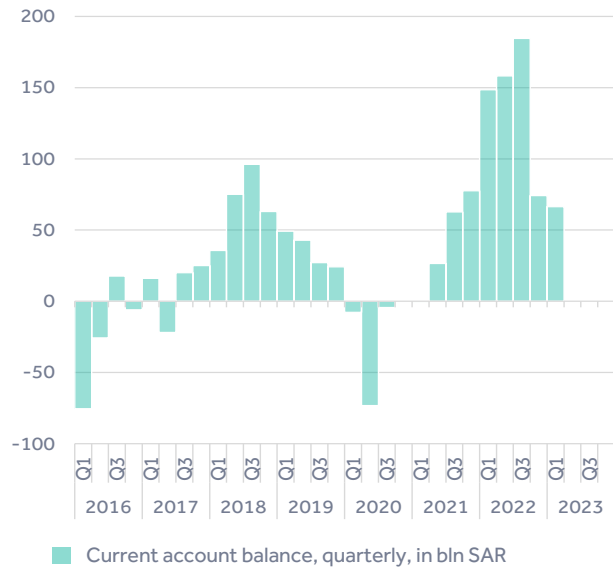


3M SAIBOR reached 6.0% in August which implied a rate differential of 60bp to the new USD reference rate, the 3M term SOFR. This difference is gradually below the longer-term average. 5Y SAR Swap rates

were at 4.68% by mid-August, 77bp above 5Y USD Swap rates. Contrary to this, SAR 5Y sovereign Sukuk yields were traded at 4.18%, and, hence, 72bp below the USD-denominated KSA Sukuk in August.

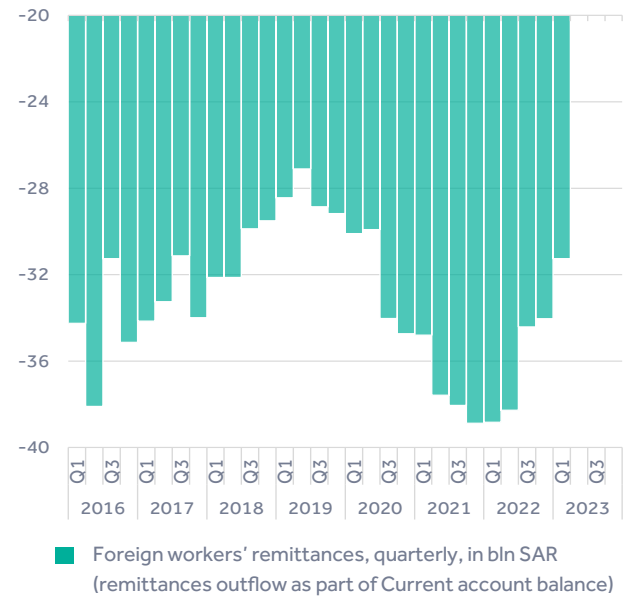
Saudi Balance of Payments

Figure 1:
Current Account Balance



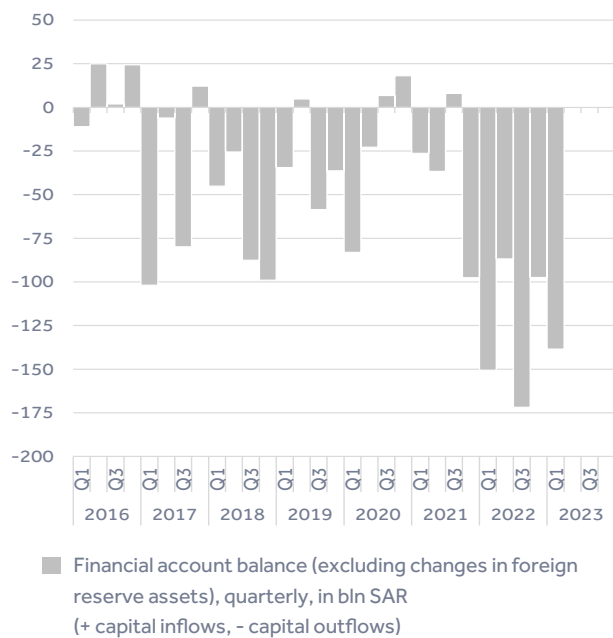
source: SAMA

Figure 2:
Foreign Workers' Remittances



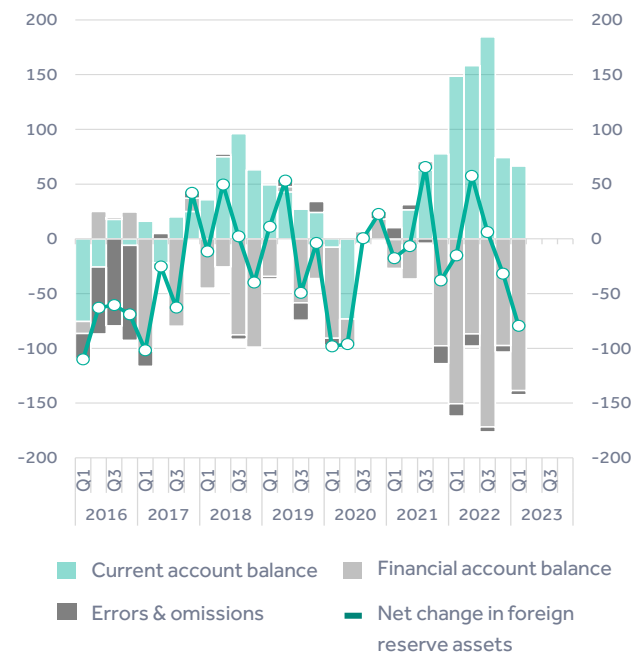
source: SAMA

Figure 3:
Financial Account Balance



source: SAMA

Figure 4:
Contribution to Balance of Payments



source: SAMA

The current account surplus further decreased to 66 bln SAR in Q1 2023 after a peak in Q3 2022 with 185 bln SAR. This reduction can be explained by lower oil export revenues as well as a notable in-

crease of imports. Meanwhile, the financial account balance recorded a deficit of 138 bln SAR in Q1 2023. As a consequence, official currency reserves at SAMA decreased by -79 bln SAR in this period.

Tadawul: Saudi Equity Market Statistics

Figure 1:
Tadawul All-Share Index

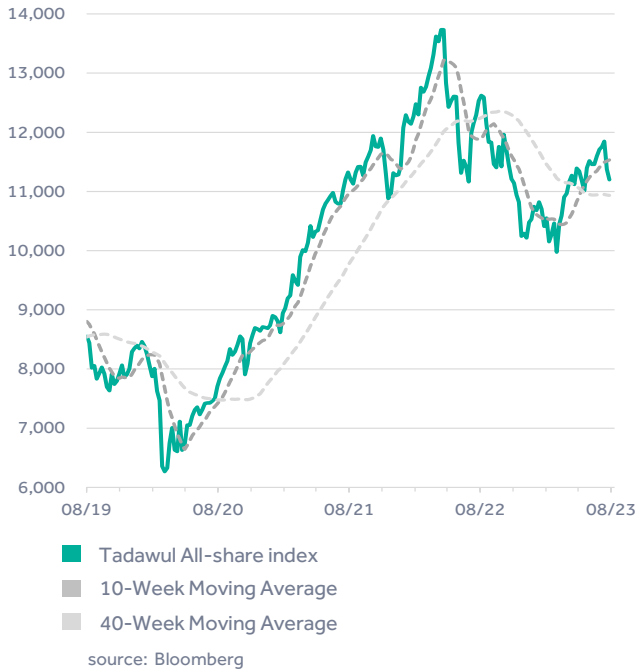


Figure 2:
Tadawul Average Daily Traded Value

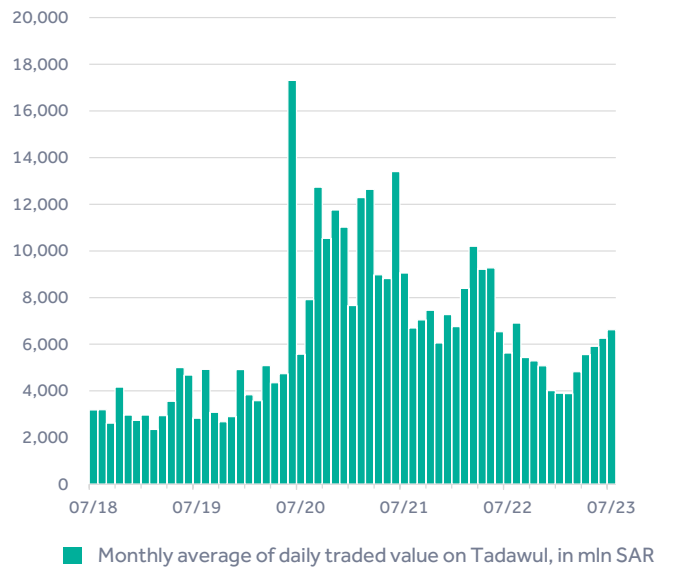


Figure 3:
Monthly Net Purchase by Ownership (in bln SAR)

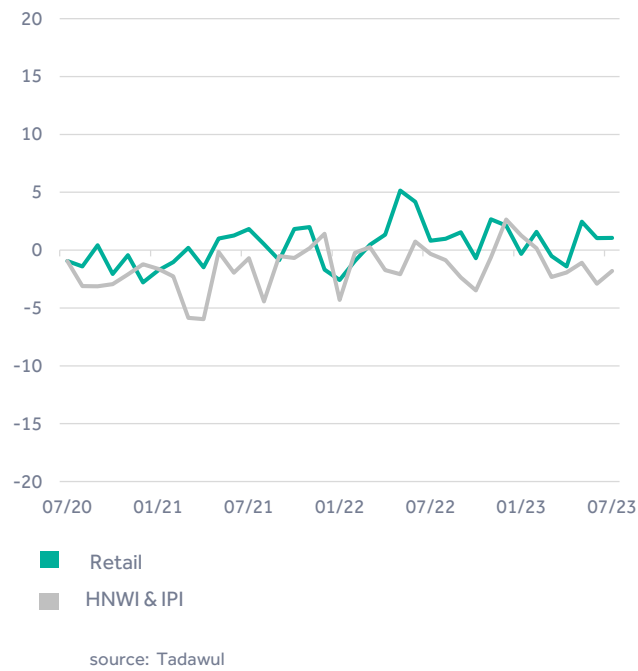
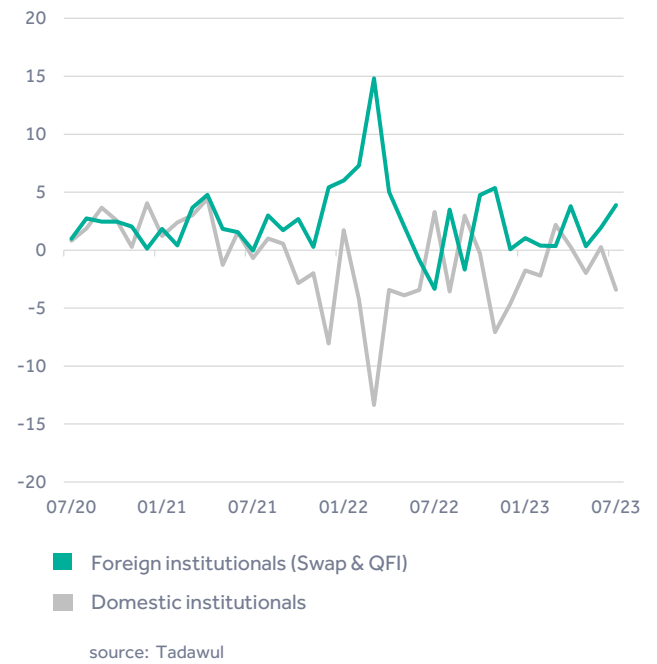


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Monthly Net Purchase by Ownership (in bln SAR)

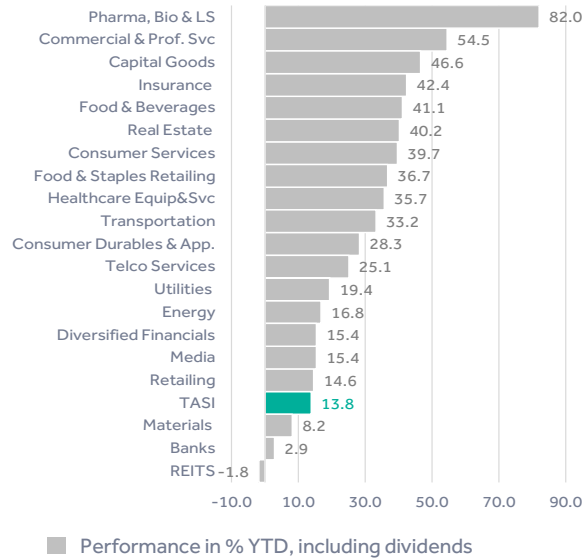


The Saudi equity market rallied from a low around 10'000 in March to almost 12'000 in July, before a consolidation phase started. This market rally was accompanied by rising trading activity with an aver-

age traded value of 6.6 bln SAR in July. Foreign institutional investors turned out to be net buyers of Saudi equities in the first seven months. This applies specifically to the months of April und July.

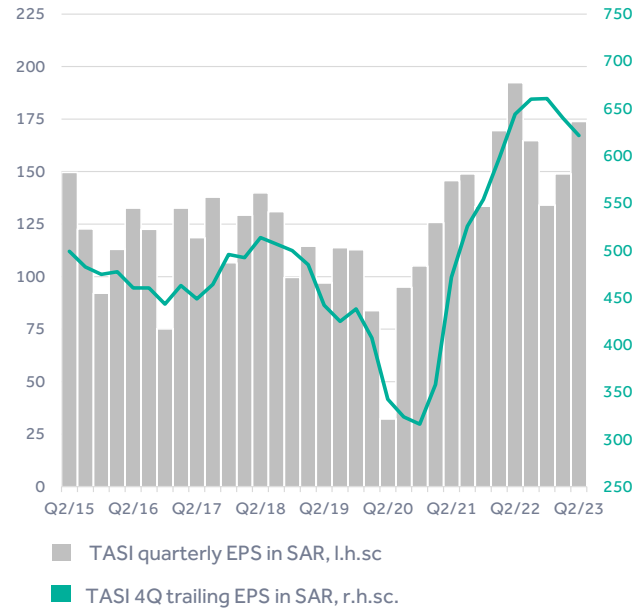
Tadawul: Saudi Equity Market Statistics

Figure 1:
Performance TASI Sectors July 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

TASI recorded a total return of 13.8% in the first seven months of the year. 17 out of 20 sectors managed to outperform the market until end of July, while particularly Banks and Materials underper-

formed over this period. From a valuation perspective, the trailing PE-ratio of TASI is currently traded gradually below its long-term average, while the forward PE-ratio has recently risen above average.

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 Saudi Arabia's output cuts, particularly the additional voluntary cut of 1mbd in July which we expect to be extended into the 4th quarter, yearly average crude production will turn out to be notably lower than last year. This will translate into a negative GDP growth contribution by the oil sector of estimated -7.2% in 2023.

We expect this decline in crude output in 2023 to gradually reverse in the course of next year and forecast an oil sector GDP contribution of 4.3% in 2024.

We project continued solid growth for non-oil activities, fostered by a growth-oriented fiscal policy with a focus on increased investment spending which will spur growth in 2023 and 2024. For 2023, we project non-oil activities to grow by 5.5%, for 2024 by 5.4%.

As a consequence, we forecast the overall economy to expand by 0.2% in 2023, while for 2024 GDP growth is expected to rebound to 4.6%.

In our baseline scenario, we expect global oil prices to continue to rise against the background of the oil market transitioning from a supply surplus into a growing supply deficit. For the full year 2023, we project an average Brent price of 85 USD after 99 USD last year. For 2024, our average Brent price forecast is 95 USD.

Lower average oil prices and lower oil exports compared to last year will have a dampening impact on fiscal oil revenues in 2023. However, notably higher non-oil revenues and particularly the additional new performance-linked Aramco dividend will allow fiscal spending to be focussed on economic growth and yet, still generate a small budget surplus this year (+0.3% of GDP). Furthermore, for 2024, we expect a decent fiscal surplus of 2.1% of GDP.

Accordingly, the current account balance will diminish from a record 13.6% of GDP last year to a still solid surplus of 5.4% of GDP in 2023 and expand again in 2024 to 8.7% of GDP.

Finally, we expect inflation to stabilize at 2.7% for the full year 2023 and to gradually decline to 2.2% in 2024.

Facts and Forecasts at a Glance

	2021	2022	2023f	2024f
Real GDP Growth				
Overall economy	3.2	8.7	0.2	4.6
Non-oil Activities	6.1	5.4	5.5	5.4
Government Activities	1.5	2.3	3.5	3.1
Oil Activities	0.2	15.4	-7.2	4.3
Fiscal Balance and Government Debt				
Fiscal Balance in bln SAR	-73	104	10	86
Fiscal Balance in % GDP	-2.2	2.5	0.3	2.1
Government debt in bln SAR	938	990	990	985
Government debt as % GDP	28.8	23.8	25.5	24.2
Trade and Current Account Balance				
Trade Balance in bln SAR	512	880	537	676
Trade Balance in % GDP	15.7	21.2	13.8	16.6
Current Account in bln SAR	166	565	210	356
Current Account in % GDP	5.1	13.6	5.4	8.7

source: GASTAT, SAMA, RC

	2021	2022	2023f	2024f
Oil Prices and Production (yearly average)				
Brent price (USD pb)	70.9	99.0	85.0	95.0
WTI price (USD pb)	68.0	94.3	82.0	92.0
OPEC Basket price (USD pb)	69.8	100.0	85.0	95.0
KSA oil production (mln bd)	9.1	10.6	9.7	10.1
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	5.85	4.65
Reverse Repo Rate	0.50	4.50	5.50	4.50
Official Repo Rate	1.00	5.00	6.00	5.00
Labor Market (yearly average)				
Unemployment rate total in %	6.7	5.6	5.1	4.9
Unemployment rate Saudi in %	11.3	9.4	8.3	8.0
Labor force part. total in %	61.2	61.1	61.3	61.8
Labor force part. Saudi in %	50.1	51.7	52.6	53.1

source: GASTAT, SAMA, Bloomberg, RC

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