

Asiya Research *at a glance*

Every month, we provide:

- 1) Macroeconomic outlook.
- 2) Analysis of all countries in Asia and GCC, and some key industrialized economies.
- 3) Trading developments on all major commodities.

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Saudi Arabia: increasingly difficult to shield economy from oil shock

Indicator	2015	2016f	2017f
Real GDP Growth (YoY)	3.4	1.2	1.7
IP Growth (YoY)	0.8	0.8	0.8
Exports* (YoY)	-37.3	-21.7	7.8
Imports* (YoY)	-4.8	-3.7	10.6
Trade Balance* (% of GDP)	-7.1	-14.2	-13.6
Money Supply, M2 (YoY)	2.5	-4.7	5.8
Inflation, CPI (YoY)	2.1	3.1	3.1
Current Account (% of GDP)	-3.5	-4.7	-1.9
Budget Balance (% of GDP)	-14.8	-14.2	-9.5
Government Debt (% of GDP)	6.3	18.0	25.3
USD:SAR	3.8	3.8	3.8

* Includes goods & services in current USD.

Source: Asiya Research on Consensus Economics, Oxford Economics and IMF, 2016.

1. Economy: business cycle in late contraction

- *Growth*: fell further in nominal terms as oil prices are harming exports. However, economic growth picked up in real terms.
 - *Consumption*: improved, in terms of credit demand and consumer sentiment regarding the next 6 months. However, deteriorating financial conditions may hurt consumer demand going forward.
 - *Government*: contributed negatively on GDP growth in Q3. Same trend to persist as the government cuts costs, such as subsidies on specific products to tackle ongoing large fiscal deficit.
 - *Net exports*: contributed to the decline of GDP in nominal terms. Trade balance turned from surplus to deficit due to low oil prices when including services. When excluding services, trade balance remained in surplus.
- *Inflation*: spiked in 2016 after the government decided to cut subsidies on energy products such as gasoline and diesel.
- *Labor market*: Saudization process is slow.

2. Markets: negative performance.

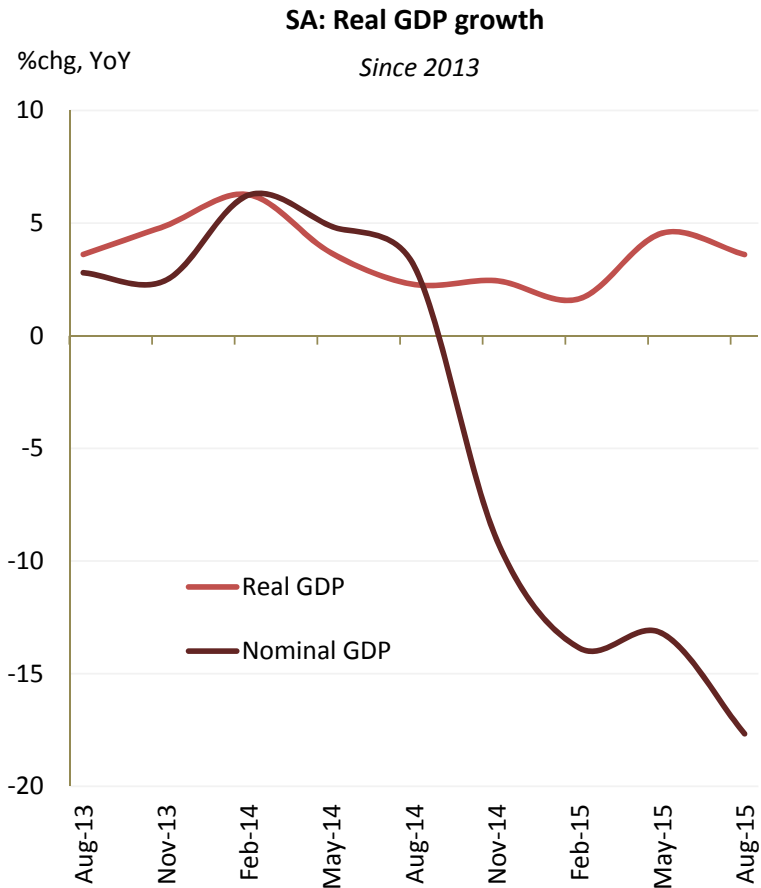
- Negative market performance in yearly terms, but improving slightly.

3. Risks: global slowdown, social unrest, and falling oil prices.

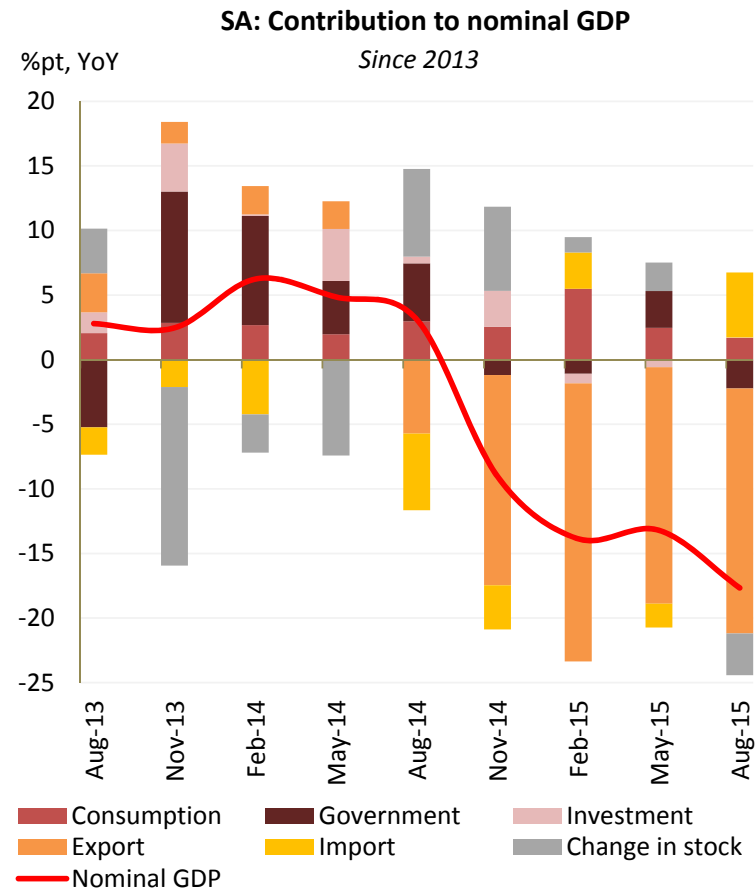
- Lower oil prices could strain the government's ability to spend and support the economy.
- Political instability due to youth unemployment. Sectarian unrest. Spillover effects from conflicts in the region.
- 'Saudization' of the labor force is gradually increasing the cost of firms, although the impact has not been large yet.

Saudi Arabia: low oil price is hurting nominal GDP growth

Real GDP growth eased, while contracted in nominal terms on sluggish exports and government spending.



Source: Asiya Research on CDSI, 2016

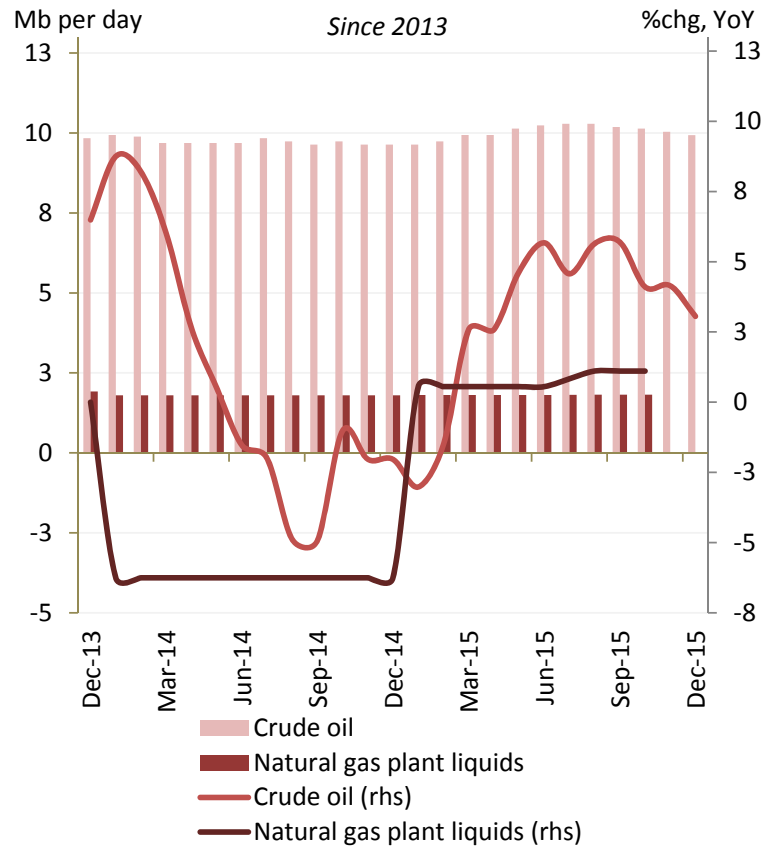


Source: Asiya Research on CDSI, 2016

Saudi Arabia: crude oil production remained around maximum capacity

Oil production fell in Q4-2015.

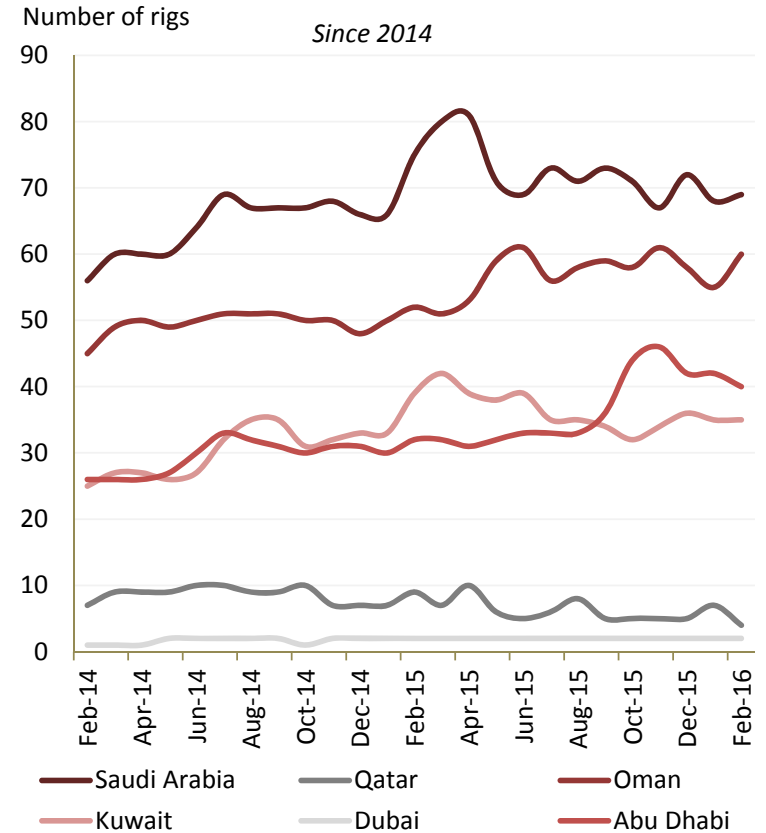
SA: Energy production



Source: Ministry of Petroleum and Mineral Resources, 2016

Saudi's rig counts exceeds major peers.

SA: Rotary rig count

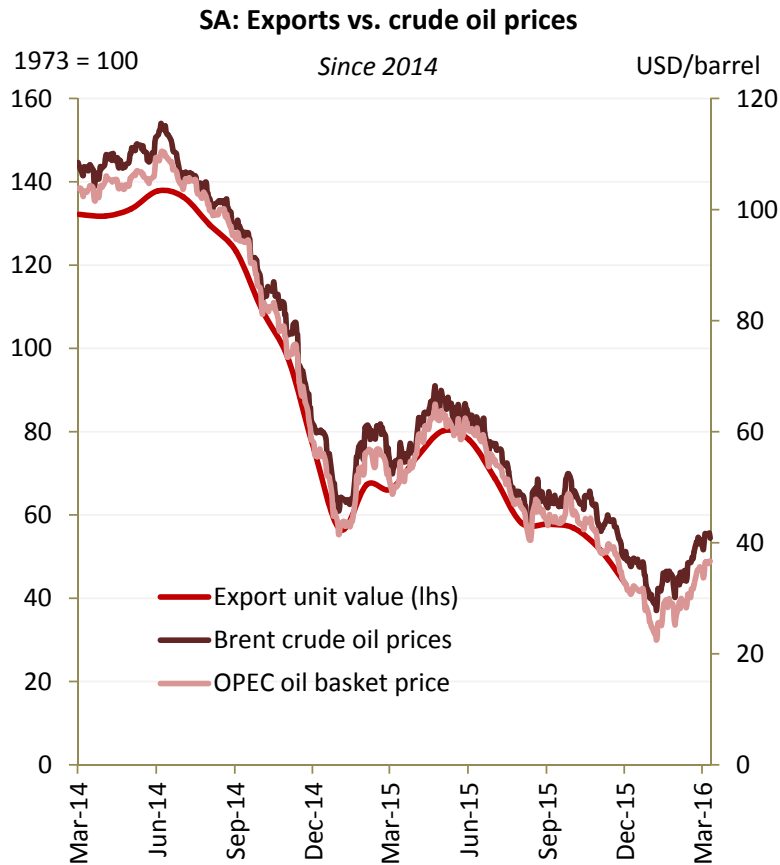


Source: Asiya Research on Baker Hughes, 2016

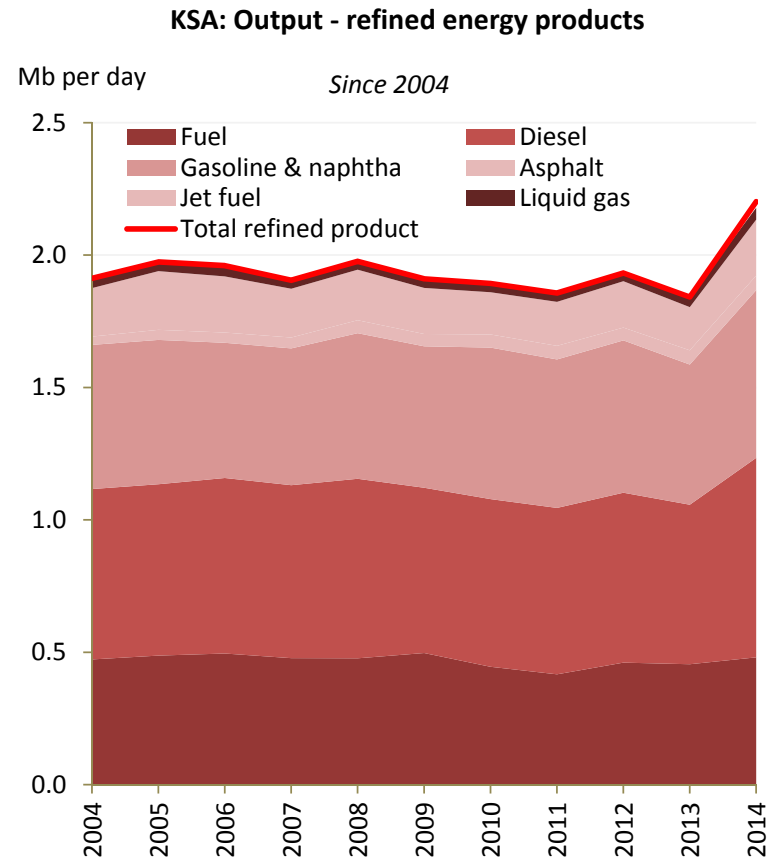
Saudi Arabia: slight bounce in price could support nominal GDP

Crude oil prices witnessed a slight recovery this year.

Saudi Arabia refines a large part of its crude.



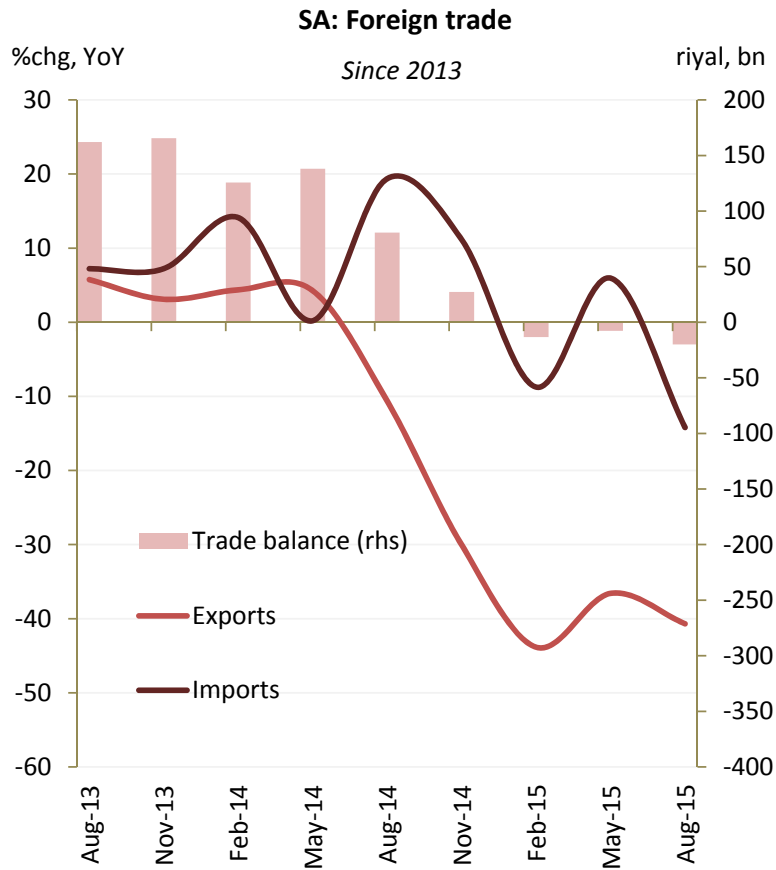
Source: Asiya Research on IMF, 2016



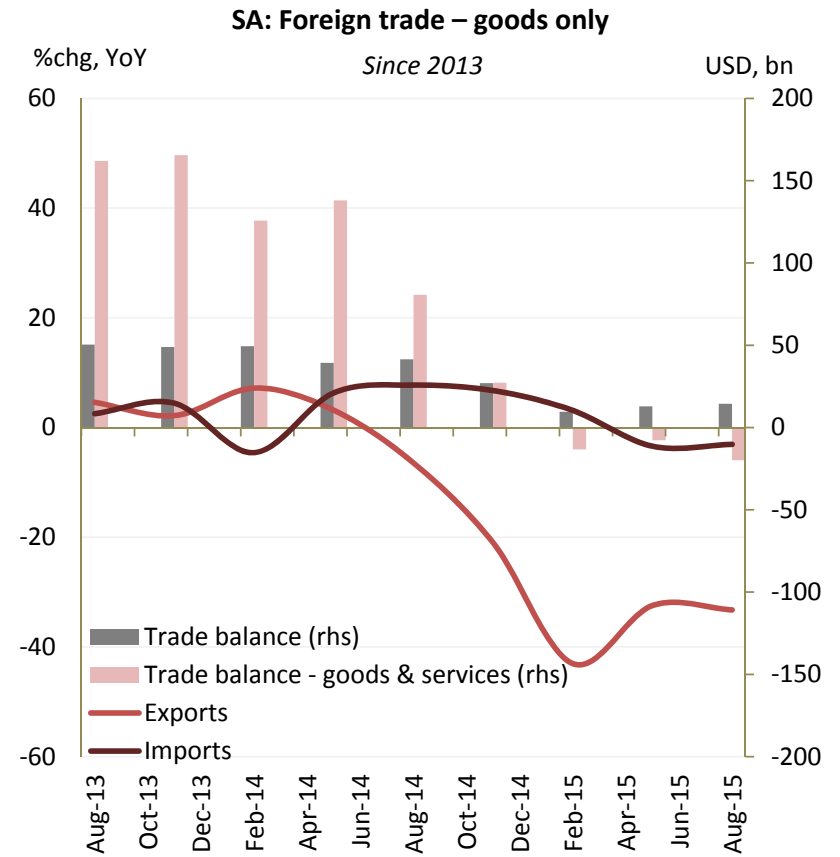
Source: Asiya Research on IMF, Thomson Reuters & OPEC, 2016

Saudi Arabia: goods trade balance in surplus, with services in deficit

Deficit widened as exports remained in contraction ... but trade balance in surplus when excluding services.



Source: Asiya Research on Central Department of Statistics, KSA, 2016



Source: Asiya Research on IMF, 2016

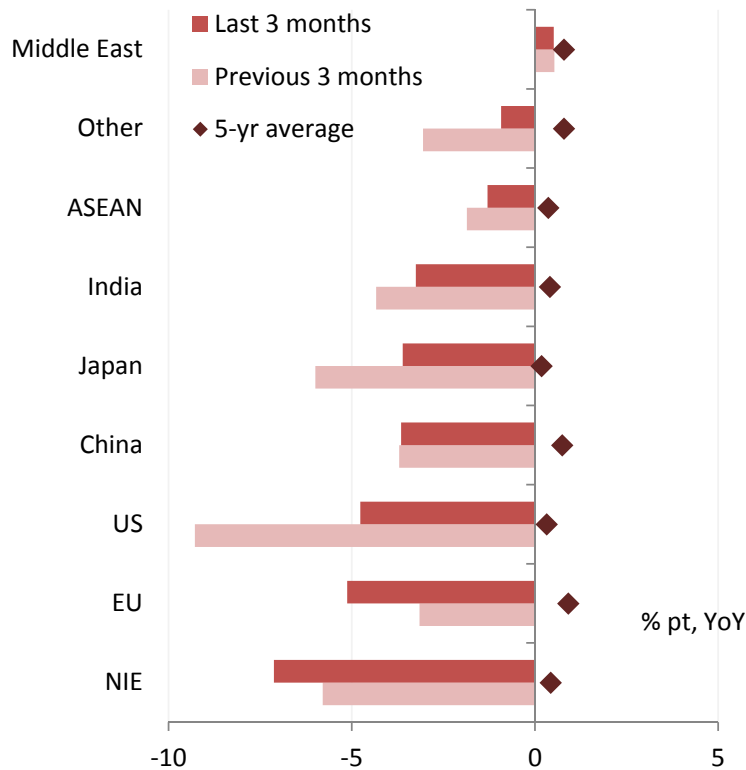
Saudi Arabia: goods trade balance in deficit with most countries

Exports to the US fell less ...

Imports from China dropped, but rebounded from ASEAN.

SA: Contribution to goods exports

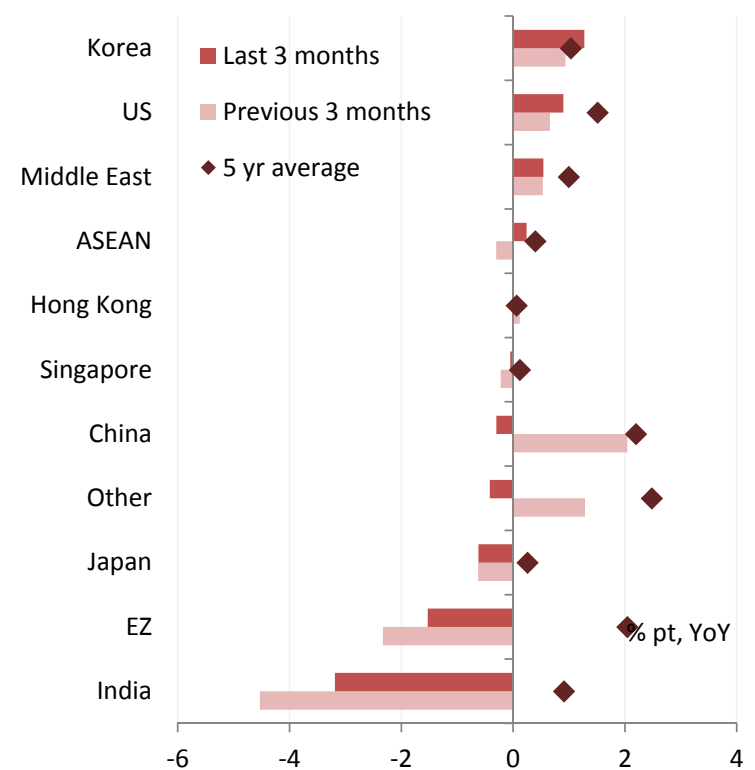
As of October, 2015



Source: Asiya Research on IMF, 2016

SA: Contribution to goods imports

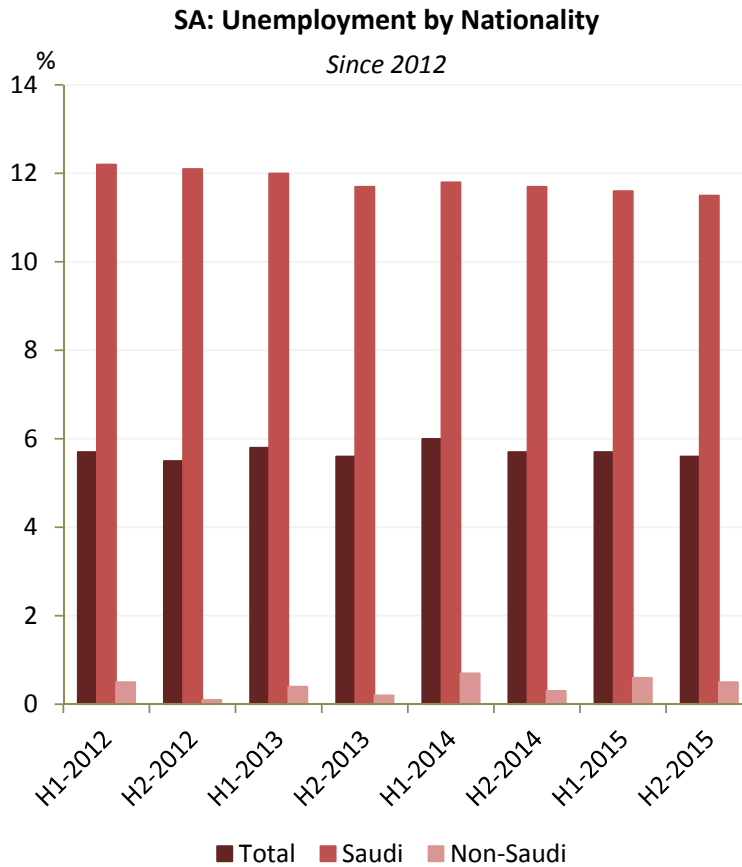
As of October, 2015



Source: Asiya Research on IMF, 2016

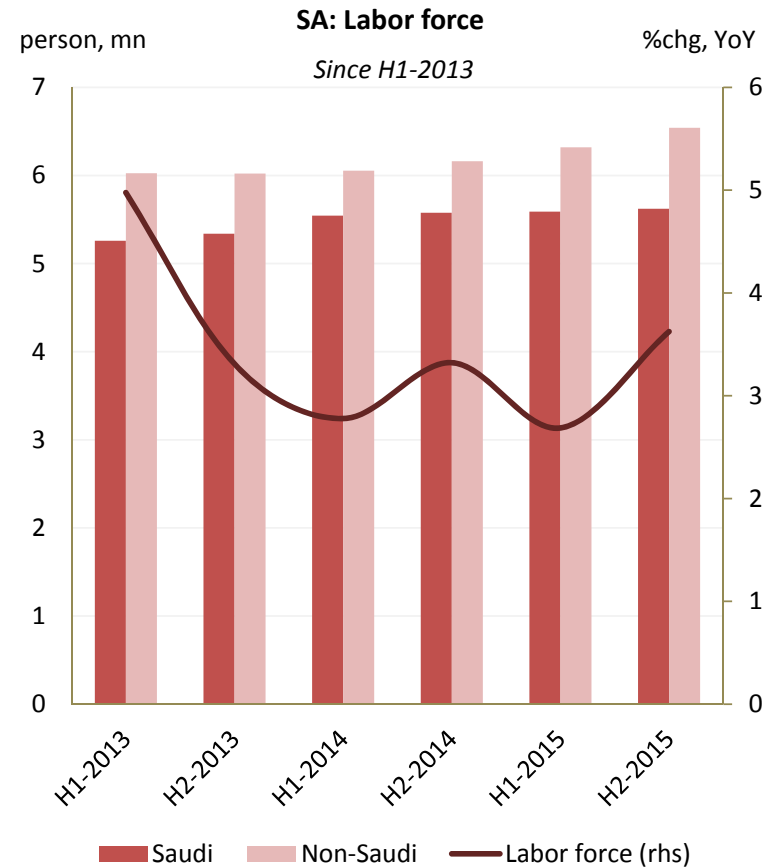
Saudi Arabia: Saudization process is slow

Unemployment rate for nationals fell, but still high...



Source: Asiya Research on General Authority for Statistics, 2016

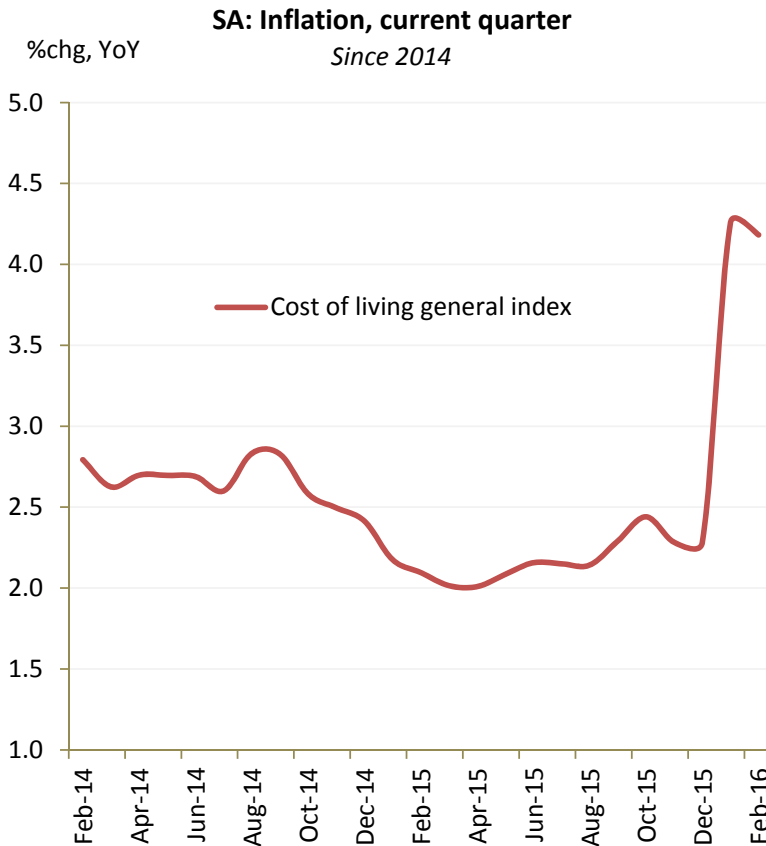
... while non-Saudis increased in the labor force.



Source: Asiya Research on General Authority for Statistics, 2016

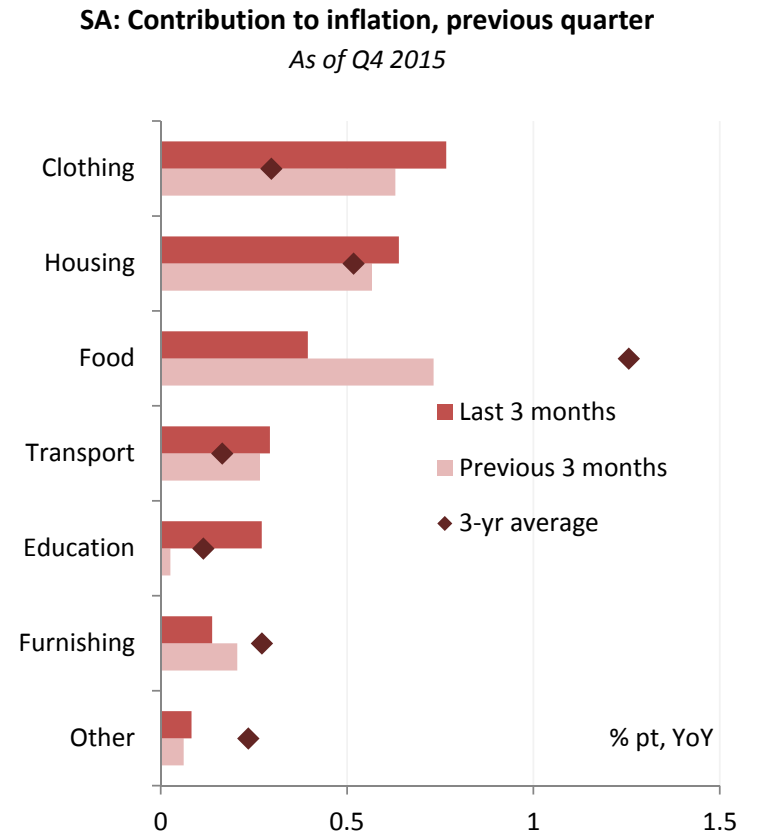
Saudi Arabia: inflation rate surged after subsidy cuts

Inflation rate spiked in the first quarter of 2016.



Source: Asiya Research on CDSI, 2016

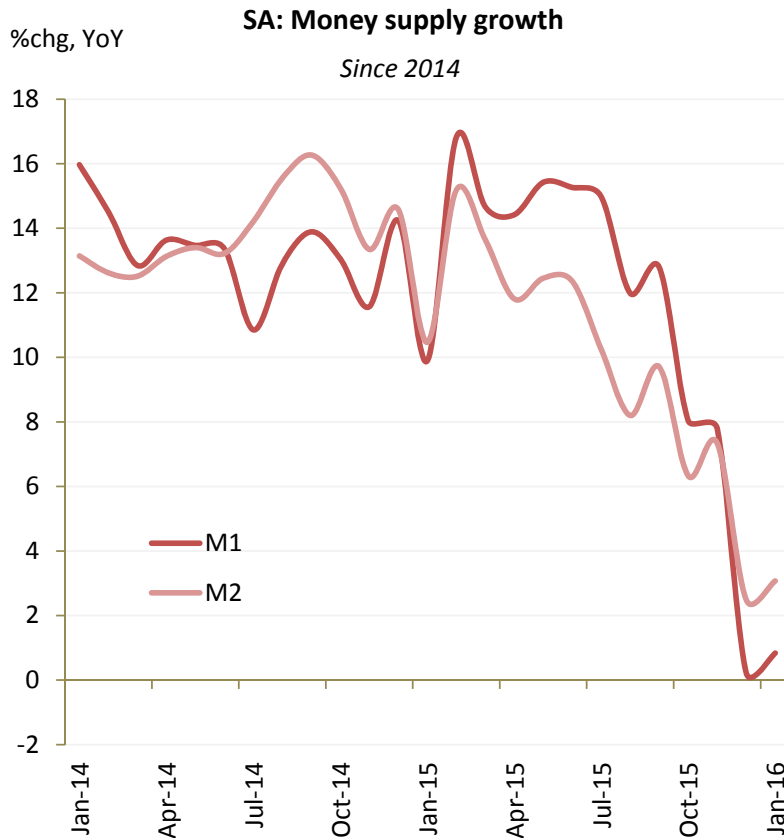
Clothing and housing main contributors last year.



Source: Asiya Research on CDSI, 2016

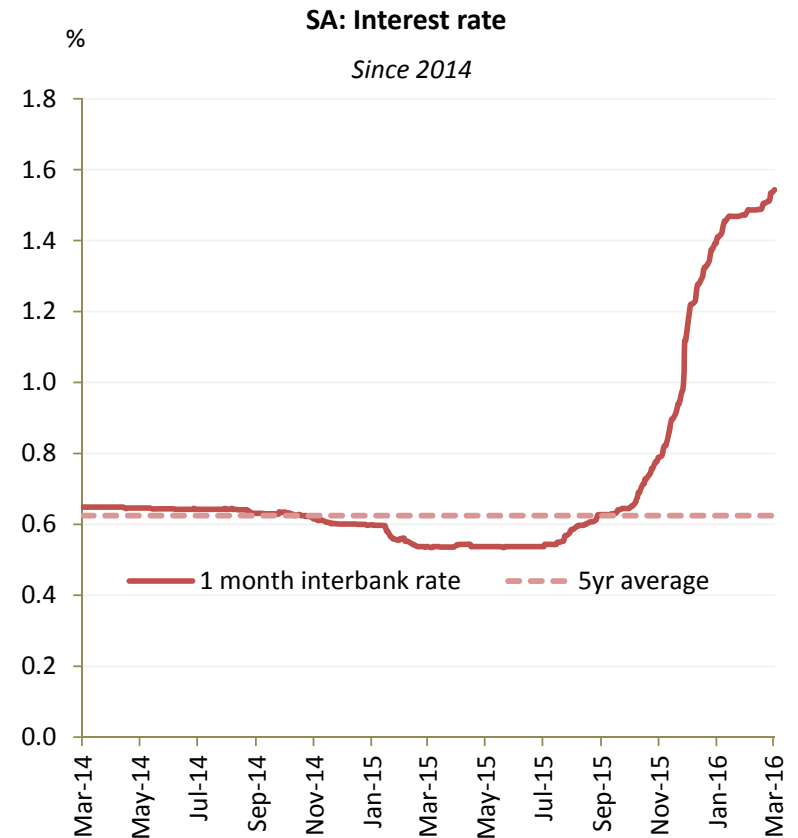
Saudi Arabia: financial conditions deteriorating rapidly

Money supply growth dropped by the end of 2015.



Source: Asiya Research on SAMA, 2016

Interbank rate continued is rising rapidly.

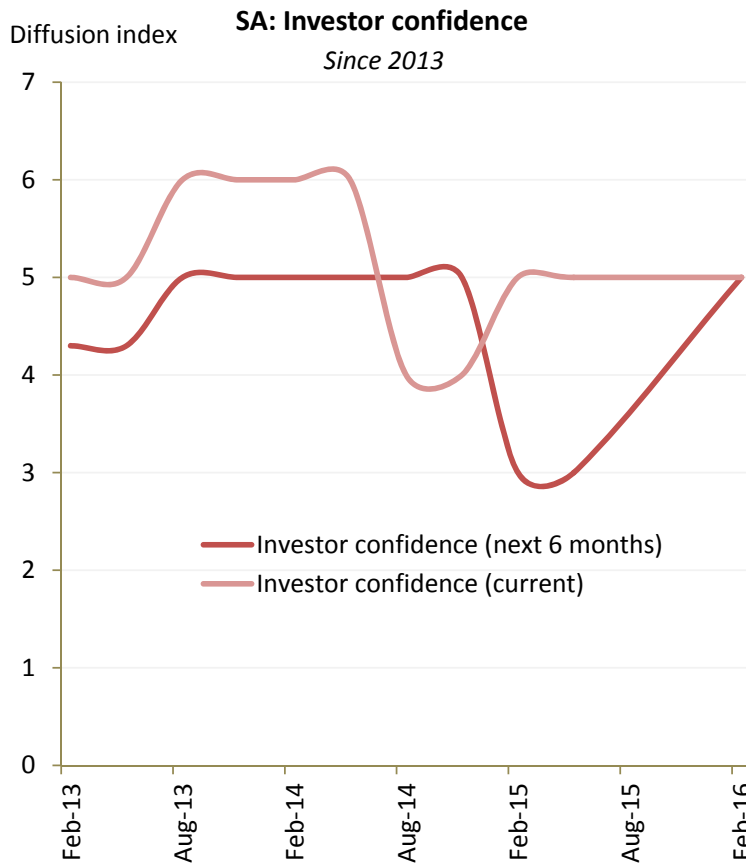


Source: Asiya Research on SAMA, 2016

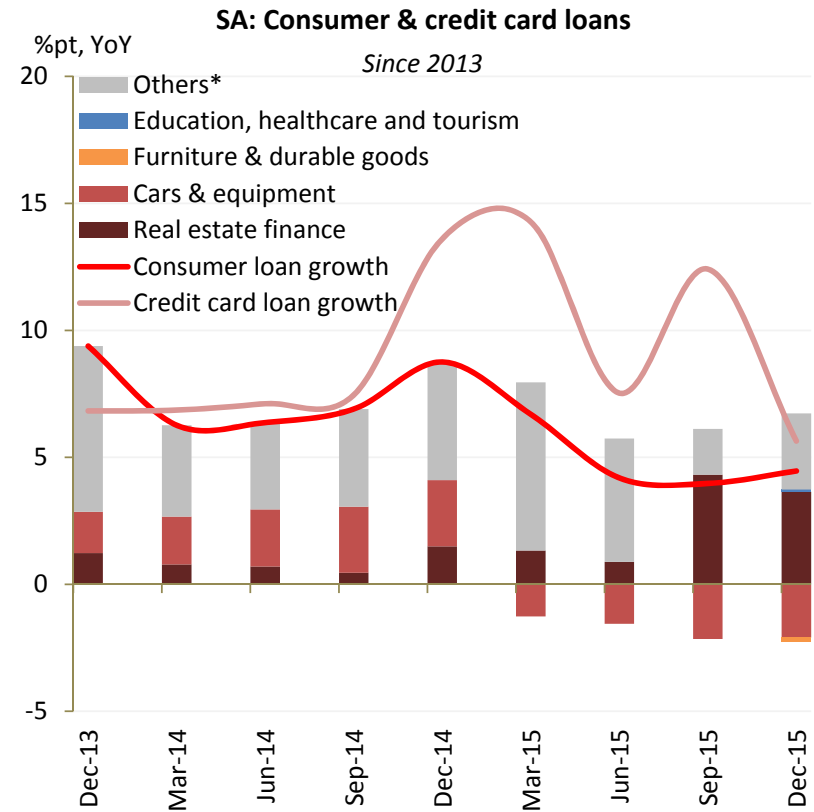
Saudi Arabia: consumer credit growth bottomed out

Investors expect better outlook.

Consumer credit growth improved despite falling car credit.



Source: Asiya Research IFO World Economic Survey, 2016.



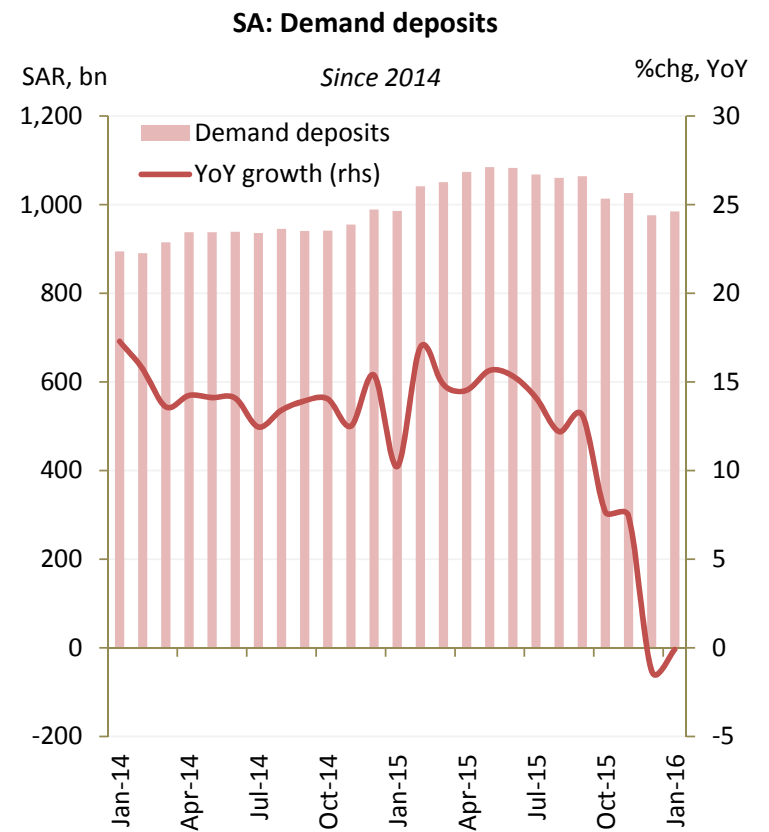
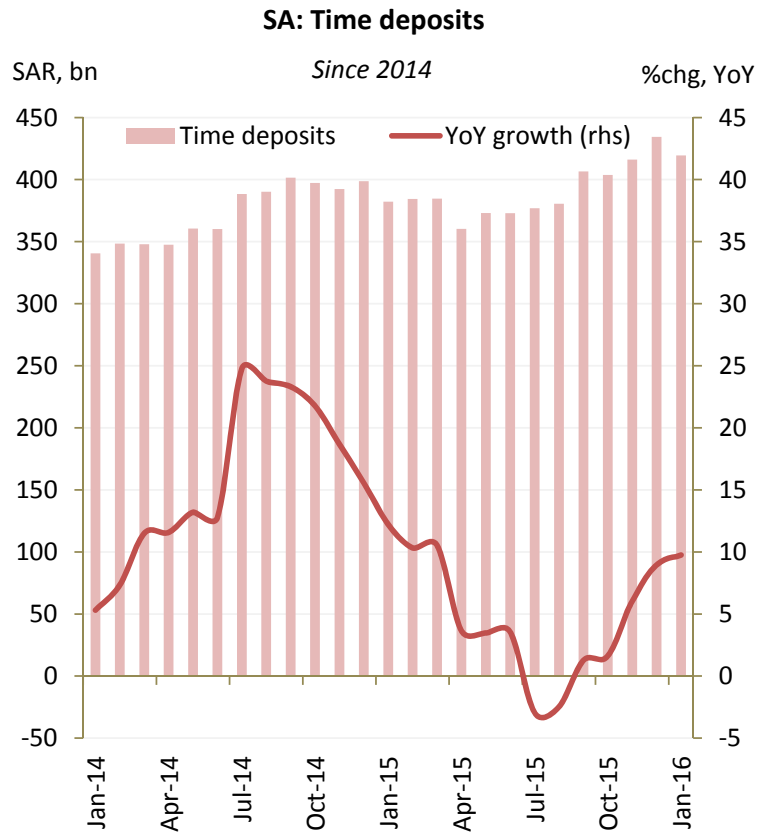
Note: 'Others' component includes education and furniture components before Q3-2015.

Source: Asiya Research on SAMA, 2016.

Saudi Arabia: demand deposits falling fast as uncertainty hurts economy

Time deposit growth on the rise ...

... while demand deposit growth fell.

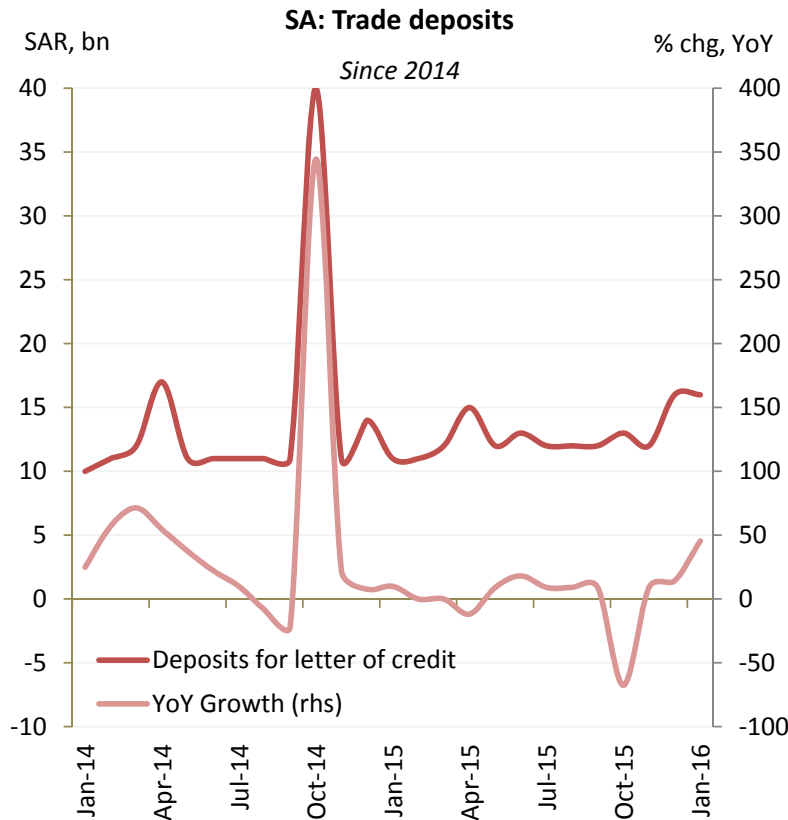


Source: Asiya Research on SAMA, 2016.

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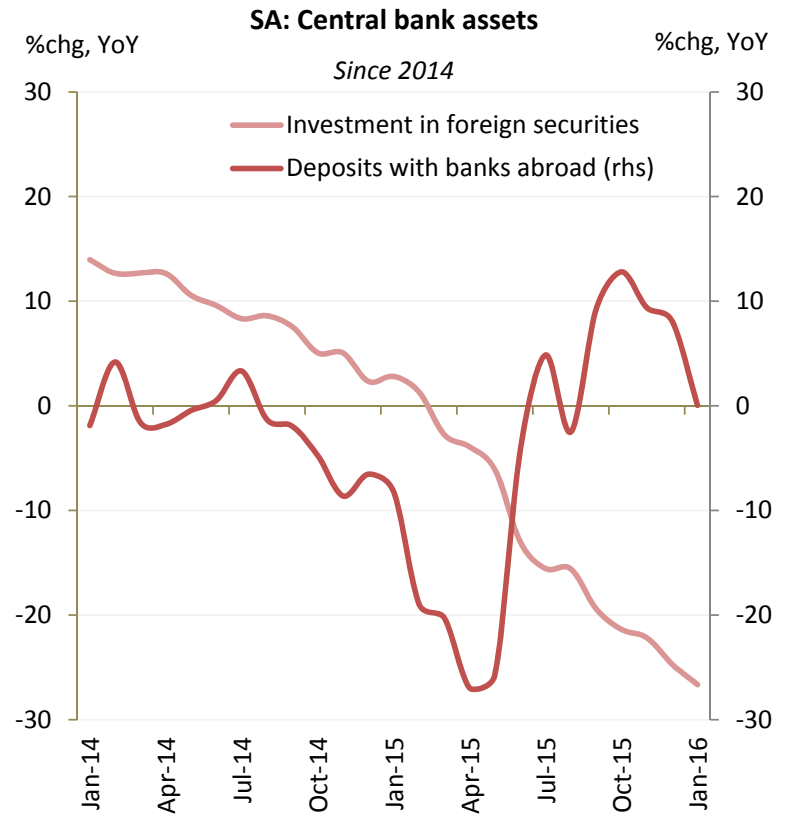
Saudi Arabia: central bank's foreign security holdings coming down

Letters of credit growth rose.



Source: Asiya Research on SAMA, 2016.

Central bank's foreign assets are shrinking.

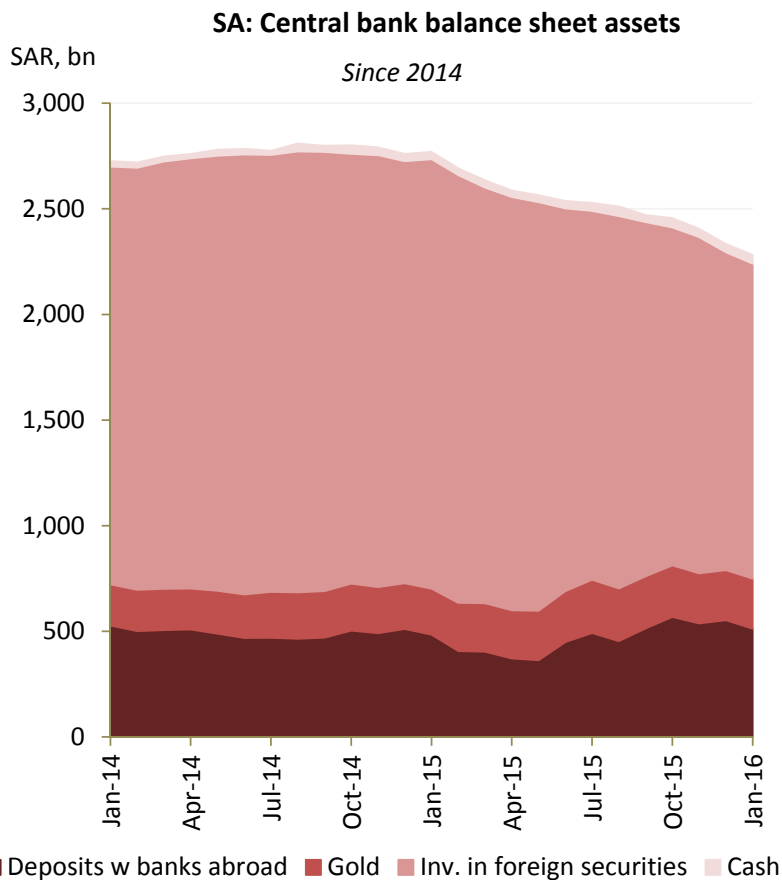


Source: Asiya Research on SAMA, 2016.



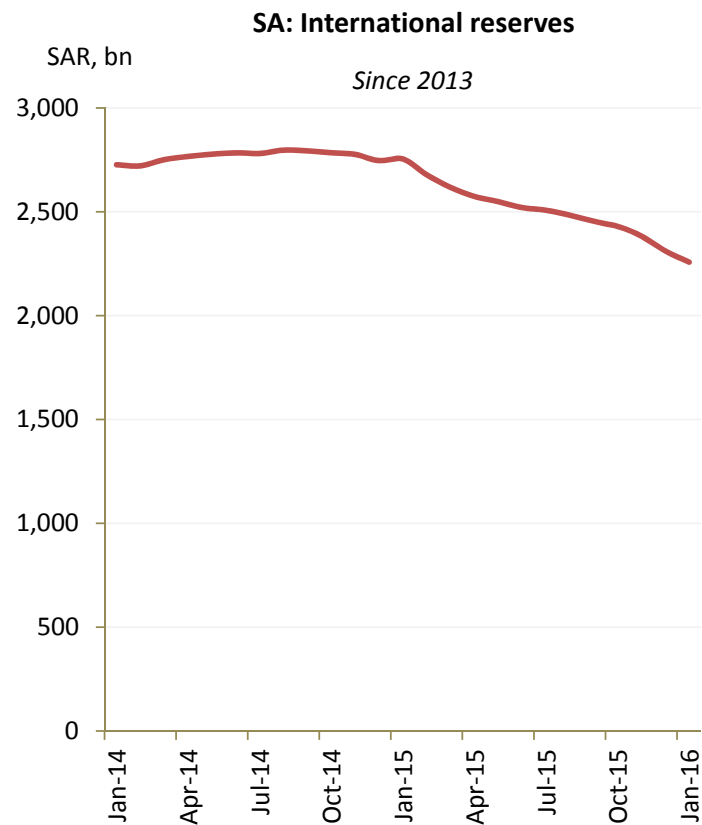
Saudi Arabia: international reserves falling rapidly

Central bank's assets, mostly foreign, falling ...



Source: Asiya Research on SAMA, 2016.

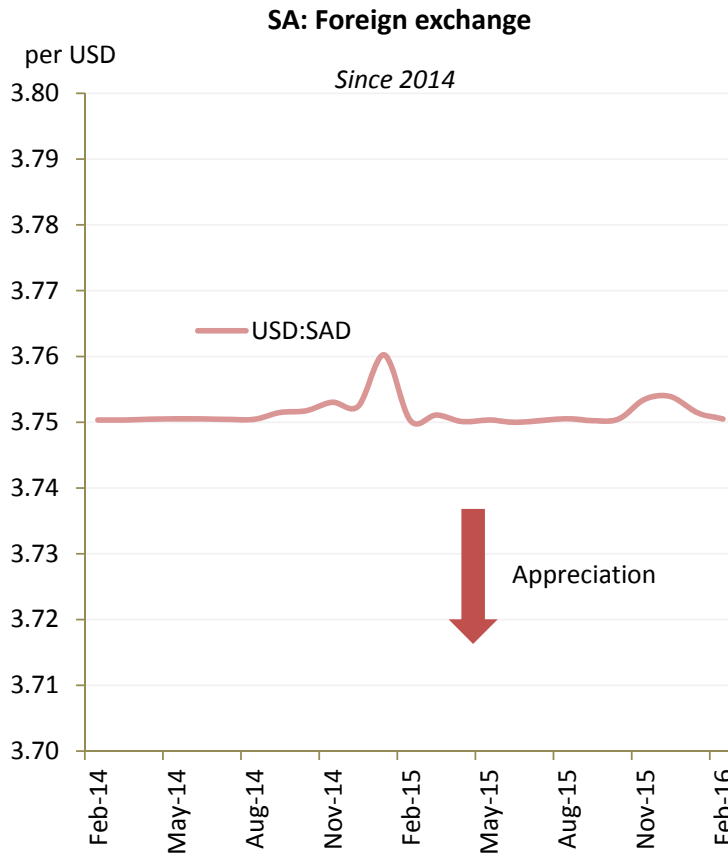
... translated into lower international reserves.



Source: Asiya Research on SAMA, 2016.

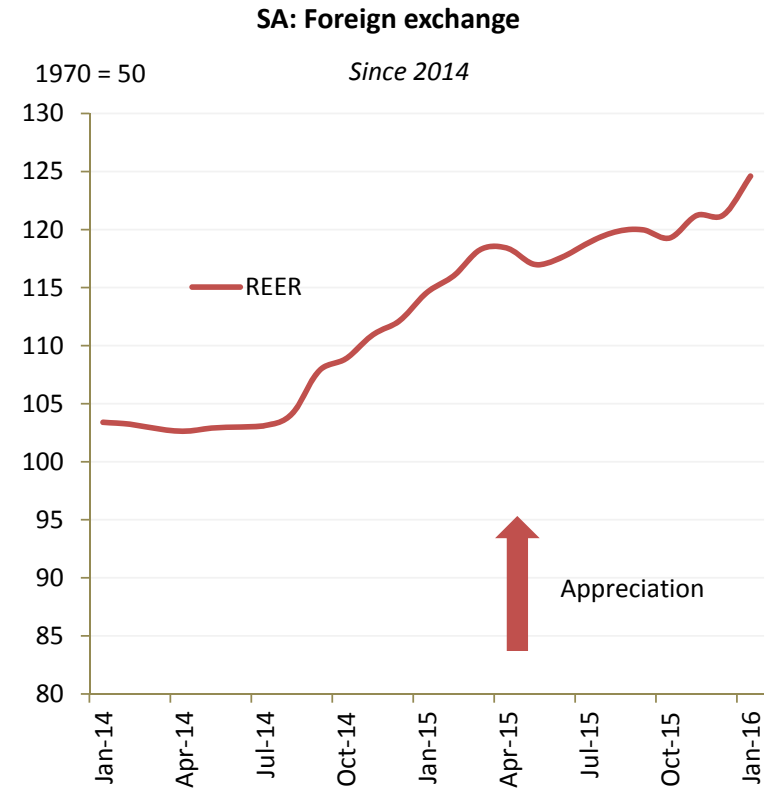
Saudi Arabia: SAR relatively unchanged against the US dollar

SAR remained pegged to the USD.



Source: Asiya Research on Thomson Reuters, 2016.

SAR strengthened in real terms.



Note: The REER is derived from the Trade Weighted USD Index, and calculated as a weighted average of the price of various currencies relative to the USD.

Source: Asiya Research on J.P. Morgan, 2016.



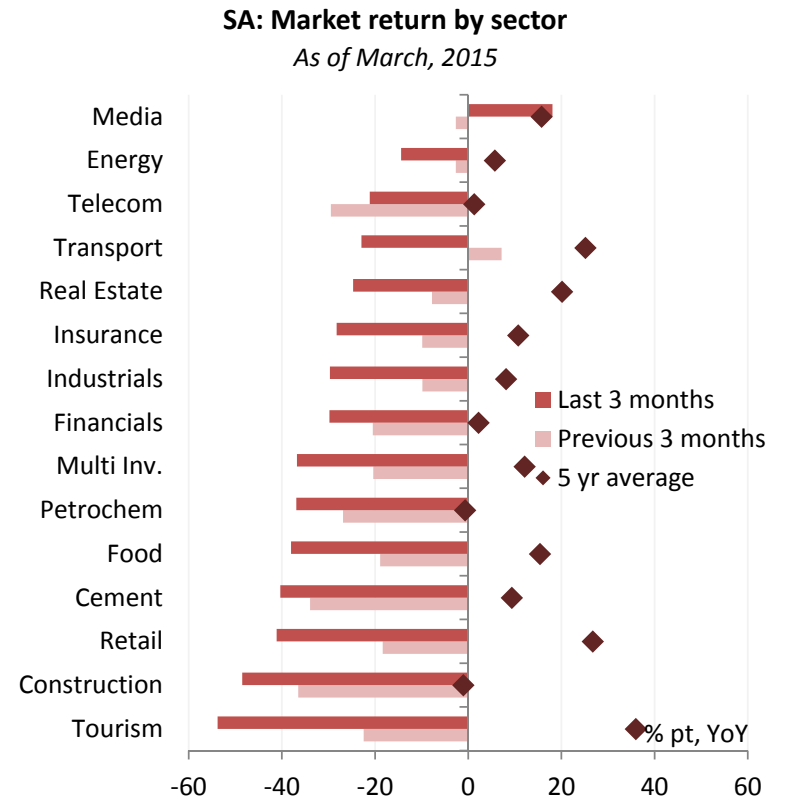
Saudi Arabia: stock market performance following oil price trend

Stock market recovered in 2016 ...



Source: Asiya Research on Thomson Reuters, 2016.

... on media stocks mostly.



Source: Asiya Research on Thomson Reuters, 2015.

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