



Summary

Real Economy: The non-oil PMI rose significantly in April, to 55.2, as both business activity and new orders grew at a faster rate. Moreover, cement sales and production saw a remarkable rise in April, by 46 and 38 percent, respectively, due to base year effects as lockdowns and curfews impacted activity back in April 2020.

Consumer Spending: Consumer spending surged in April, as POS transactions rose by 142 percent year-on-year, and cash withdrawals were up by 27 percent year-on-year, boosted by a much lower base in April of last year. On a monthly basis, however, POS transactions were down.

Industrial Sector: The monthly value of licensed investments in new factories stood at SR1.6 billion in April, with a net increase of 71 factories during the month. April also saw net new hires of 6,476, the highest monthly rise on record, with the majority of the hires (84 percent) being foreigners.

Government Finance: The net monthly change to government accounts with SAMA were down by SR29 billion month-on-month in April. The breakdown shows the decline came mostly from government deposits.

SAMA Foreign Reserve Assets: SAMA FX reserves declined in April by \$8.2 billion month-on-month, to stand at \$440.8 billion. Considering that the current account was likely boosted by higher oil receipts during April, we suspect the \$8.2 billion outflow seen during the month is related to the financial account.

Money Supply, Bank Deposits and Credit: The broad measure of money supply (M3) rose by 8.3 percent year-on-year, and by 0.8 percent month-on-month in April. Total deposits rose by 9 percent year-on-year, although 'time and saving deposits' continued to show yearly and monthly declines.

Inflation: Prices in April rose by 5.3 percent year-on-year, and by 0.2 percent month-on-month. Despite 'food and beverages' prices trending marginally lower since the start of the year, this segment is still exhibiting large annual rises, with an 8.4 percent year-on-year rise seen in April.

Oil-Global: Brent oil prices rose 7 percent and WTI rose 6 percent month-on-month in May, with the market drawing confidence from expectations of higher demand as more vaccines are administered around the world. Brent's oil prices averaged \$69 per barrel (pb) during May, the highest since December 2019, whilst WTI was the highest since August 2018, at \$65 pb.

Oil-Regional: Saudi crude oil production averaged 8.1 million barrels per day (mbpd) in April. Looking ahead, we expect the Kingdom to gradually unwind oil output over the next three months, by 250, 350, and 400 thousand barrels per day (tbpd), respectively.

Stock Market: TASI continued its upward momentum in May, as it gained 1.3 percent month-on-month, pushing year-to-date rises to 20 percent. The momentum continued into the first day of June, with the Saudi index closing just under 10,600 points, its highest level since October 2014.

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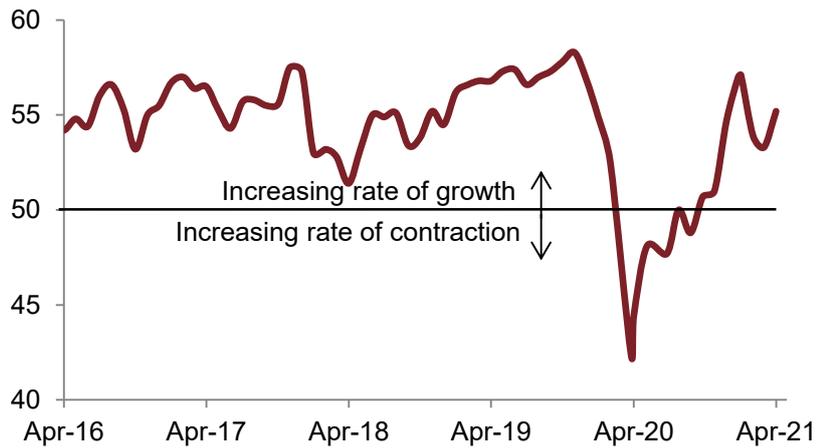


Real Economy

The non-oil PMI rose significantly in April, to 55.2, as both business activity and new orders grew at a faster rate. Moreover, cement sales and production saw a remarkable rise in April, by 46 and 38 percent, respectively, due to base year effects as lockdowns and curfews impacting activity back in April 2020. For similar reasons, non-oil exports saw a sizable yearly rise in March.

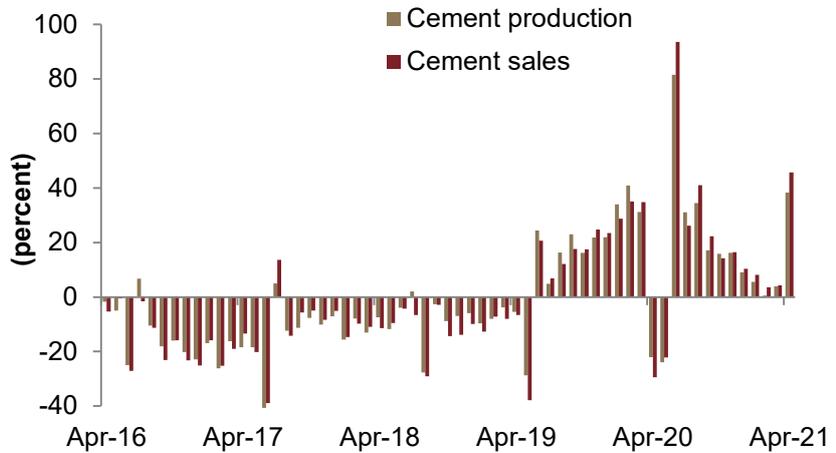
The non-oil PMI rose significantly in April, up to 55.2 from 53.3 in March, as both business activity and new orders grew at the fastest rate in three months.

Non-oil Purchasing Managers' Index



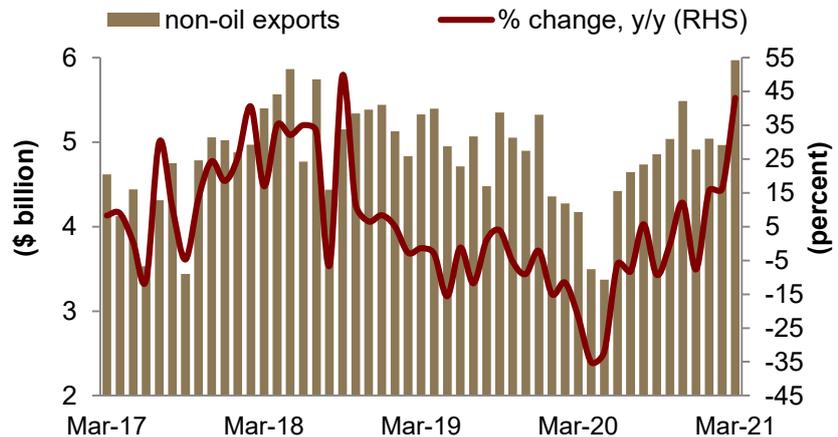
Moreover, cement sales and production saw a remarkable rise in April.

Cement Sales and Production
(year-on-year change)



Meanwhile, non-oil exports saw a sizable rise in March, by 43 percent year-on-year, and by 20 percent month-on-month, affected by both monthly and yearly rises in 'petrochemicals' and 'plastics & rubber' exports.

Non-Oil Exports
(year-on-year change)



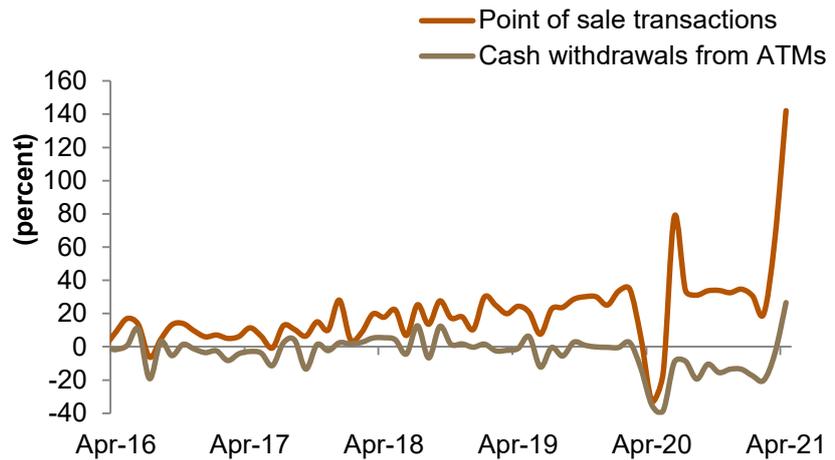


Consumer Spending

Consumer spending surged in April, as POS transactions rose by 142 percent year-on-year, and cash withdrawals were up by 27 percent year-on-year, boosted by a much lower base in April of last year, due to the imposed lockdowns and curfews. On a monthly basis, however, POS transactions were down following a notable rise in March.

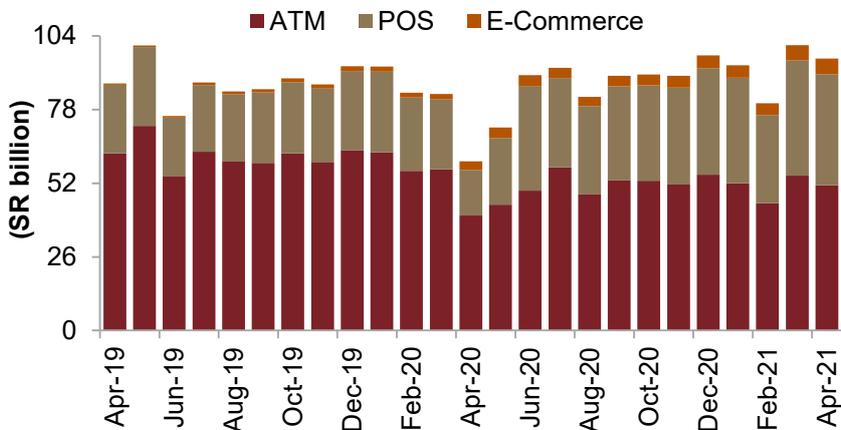
POS transactions rose by 142 percent year-on-year, marking the highest annual reading on record, boosted by a much lower base in April of last year.

Indicators of Consumer Spending
(year-on-year change)



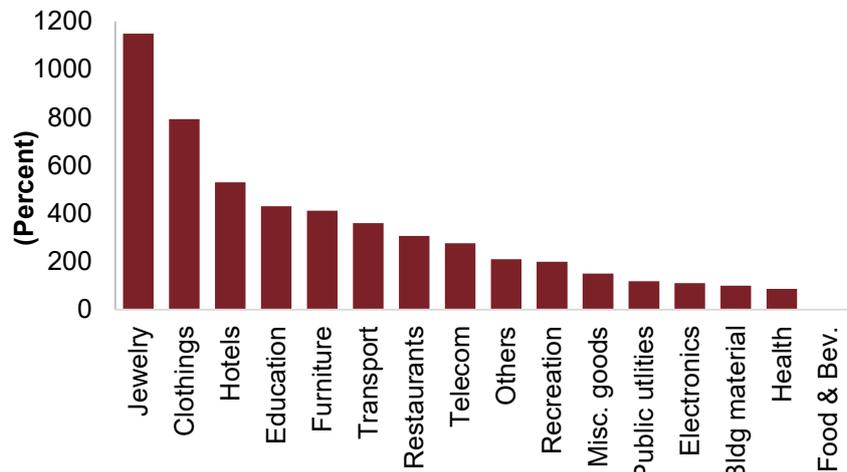
Despite the remarkable annual rise, overall consumer spending was down on a monthly basis by 4.7 percent, affected by lower POS transactions and ATM withdrawals compared to March.

Monthly Consumer Spending
(SR Billion)



On a sectorial basis, highest annual rises were seen in 'jewelry', 'clothing' and 'hotels'. Meanwhile, 'food & beverages' saw the lowest annual rise, by 3.3 percent, due to a higher base effect during the lockdown in April 2020.

POS Transactions by Sector
(year-on-year change)



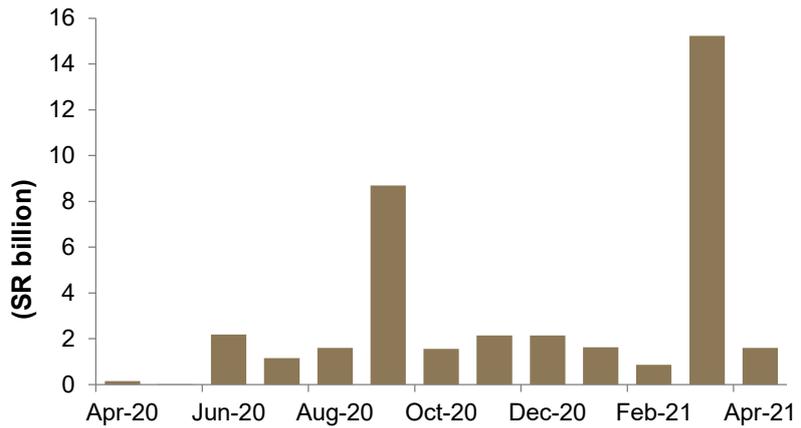


Industrial Sector

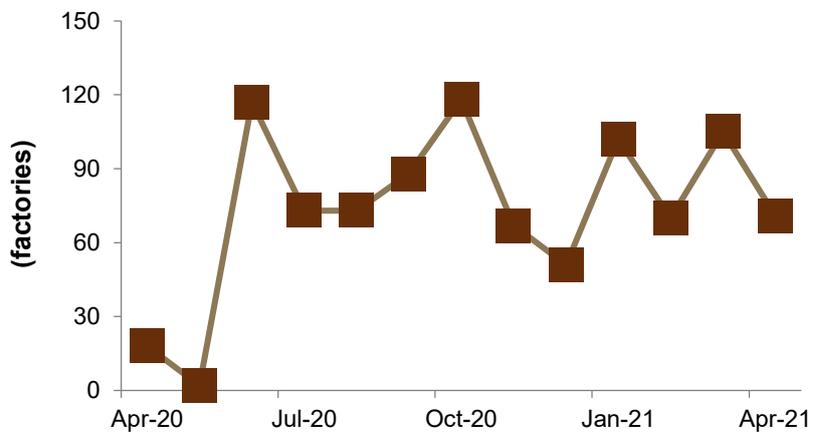
The monthly value of licensed investments in new factories stood at SR1.6 billion in April, with a net increase of 71 factories during the month. Moreover, the month saw 6,476 net new hires in the industrial sector, the highest monthly rise on record, with 5,427 foreigner workers and 1,049 Saudi workers.

The monthly value of licensed investments in new factories stood at SR1.6 billion in April, consistent with the Ministry of Industry and Mineral Resources' announcement that most new factories during the month were small and medium sized factories.

Volume of Licensed Investments
(monthly total)

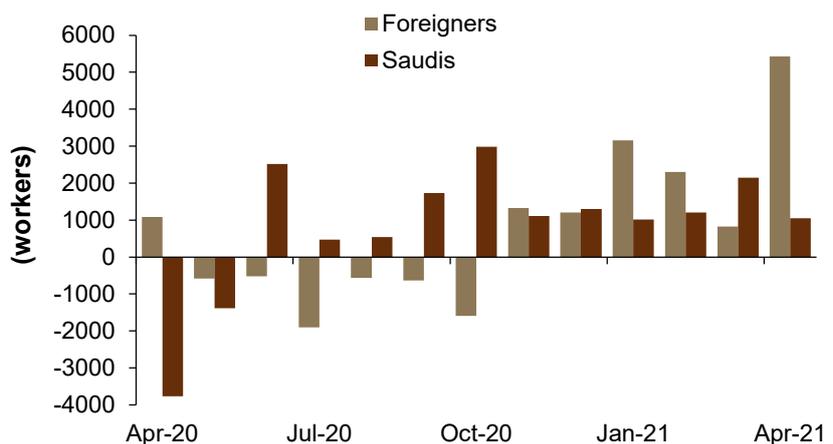


Number of Licensed Factories
(monthly total)



The number of factories increased by 71 during the month, broadly in-line with the numbers seen since the start of the year.

Number of Workers in the Industrial Sector
(monthly change)



April saw net new hires of 6,476, the highest monthly rise on record, with the majority of the hires (84 percent) being foreigners.

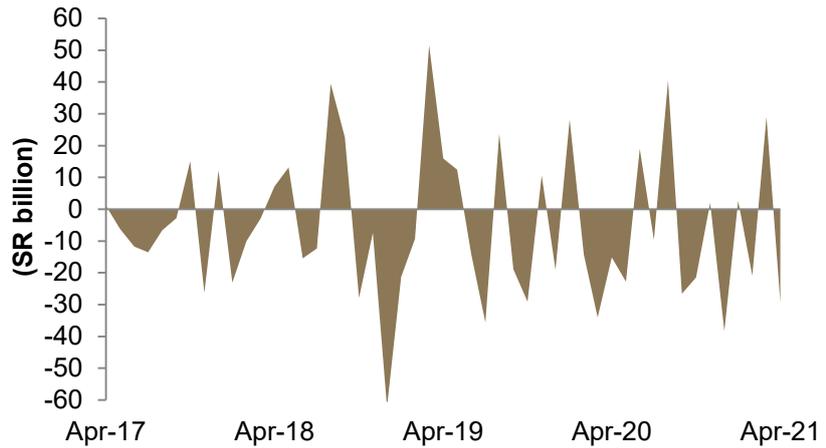


Government Finance

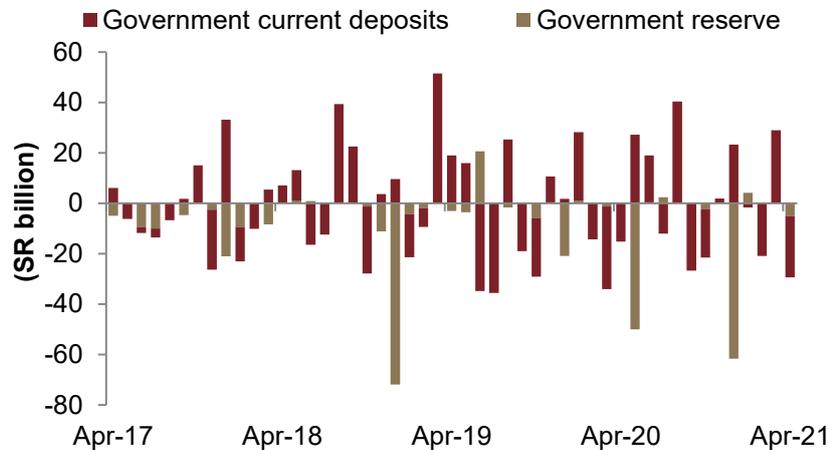
The net monthly change to government accounts with SAMA were down by SR29 billion month-on-month in April. The breakdown shows the decline came mostly from government deposits by SR24 billion, and also from government reserves by SR5 billion during the month. Meanwhile, domestic banks net holdings of government bonds rose by SR5.7 billion month-on-month.

The net monthly change to government accounts with SAMA were down by SR29 billion month-on-month in April.

Net Change to Government Accounts with SAMA
(month-on-month change)

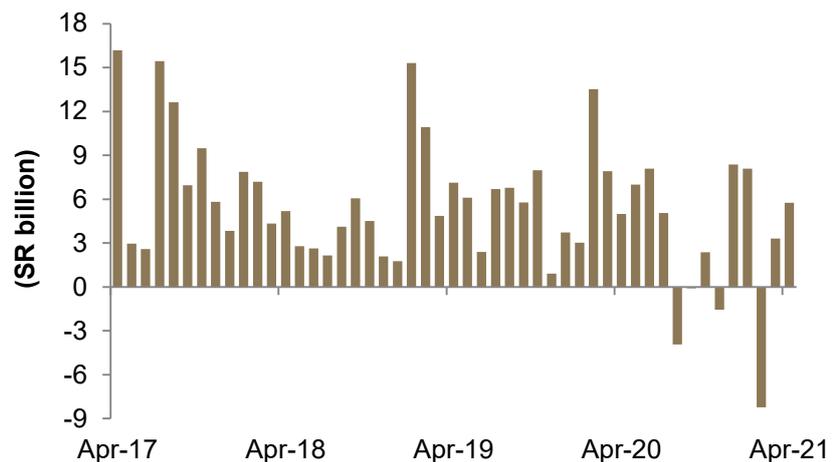


Breakdown of Government Accounts with SAMA
(month-on-month change)



The breakdown shows the decline came mostly from government deposits by SR24 billion, and also from government reserves by SR5 billion during the month.

Domestic Banks Net Holdings of Government Bonds
(month-on-month change)



Meanwhile, domestic banks net holdings of government bonds rose by SR5.7 billion month-on-month.

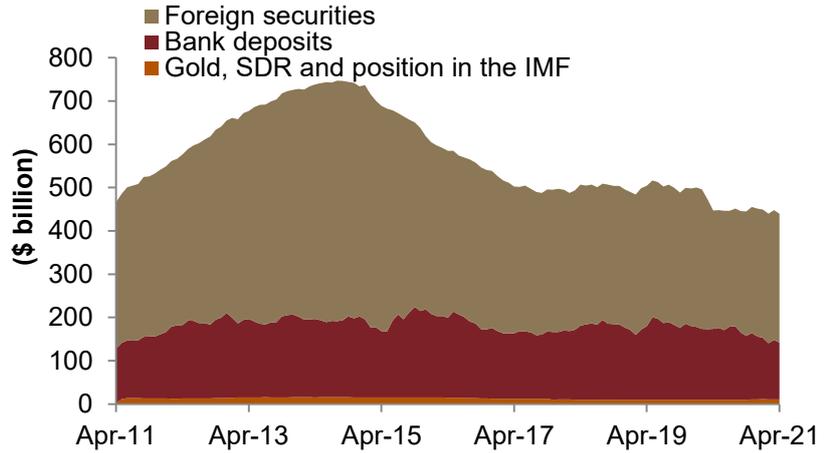


SAMA Foreign Reserve Assets

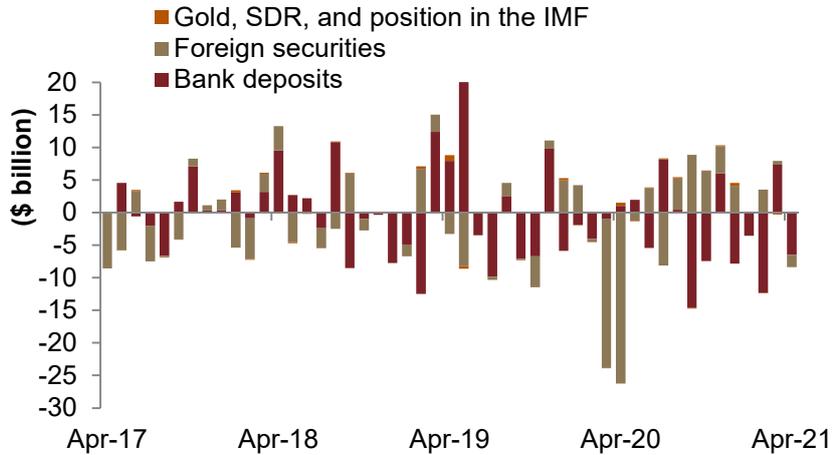
SAMA FX reserves declined in April by \$8.2 billion month-on-month, to stand at \$440.8 billion. A breakdown of FX reserves shows that the monthly decline came mostly from bank deposits, which decreased by \$6.5 billion, and partially from foreign securities, which were down by \$1.9 billion during the month.

SAMA FX reserves declined in April by \$8.2 billion month-on-month, resulting in SAMA FX reserves totaling \$440.8 billion.

SAMA Total Foreign Reserve Assets

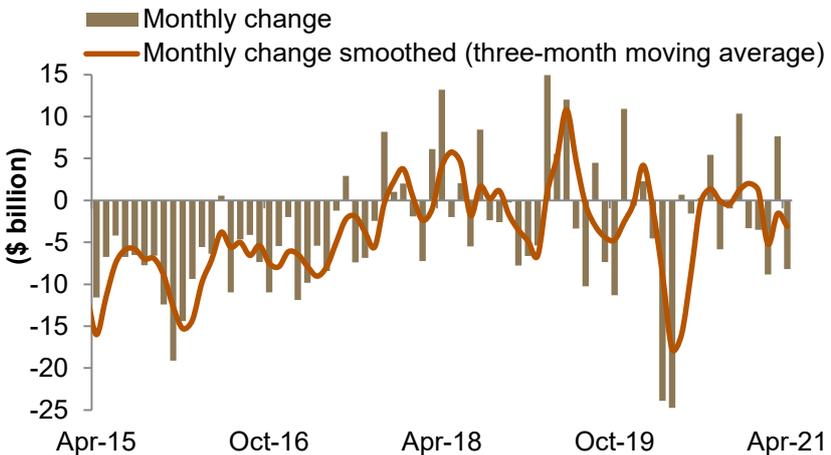


SAMA Foreign Reserve Assets (month-on-month change)



A breakdown of FX reserves shows that the monthly decline came mostly from bank deposits, which decreased by \$6.5 billion, and partially from foreign securities, which were down by \$1.9 billion during the month.

SAMA Foreign Reserve Assets (monthly and three-month moving average change)



Considering that the current account was likely boosted by higher oil receipts during April, we suspect the \$8.2 billion outflow seen during the month is related to the financial account.

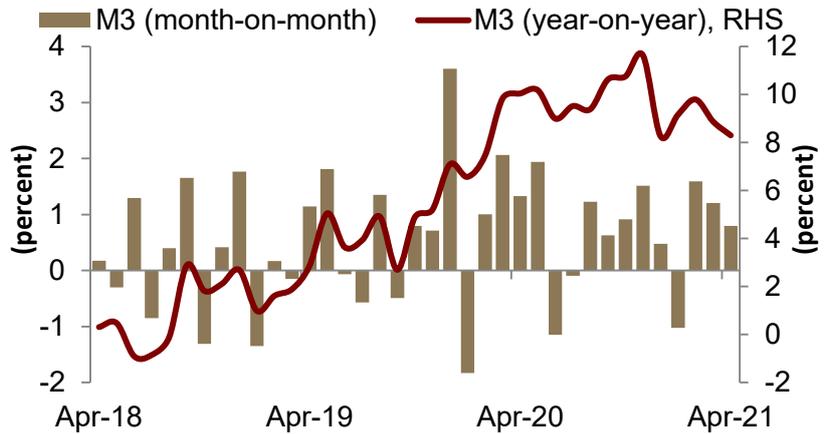


Money Supply, Bank Deposits and Credit

The broad measure of money supply (M3) rose by 8.3 percent year-on-year, and by 0.8 percent month-on-month in April. Total deposits rose by 9 percent year-on-year. Within this segment, 'time and saving deposits' continued to decline on an annual and monthly basis but 'demand deposits' were up by 11 percent, year-on-year, and 1 percent month-on-month in April.

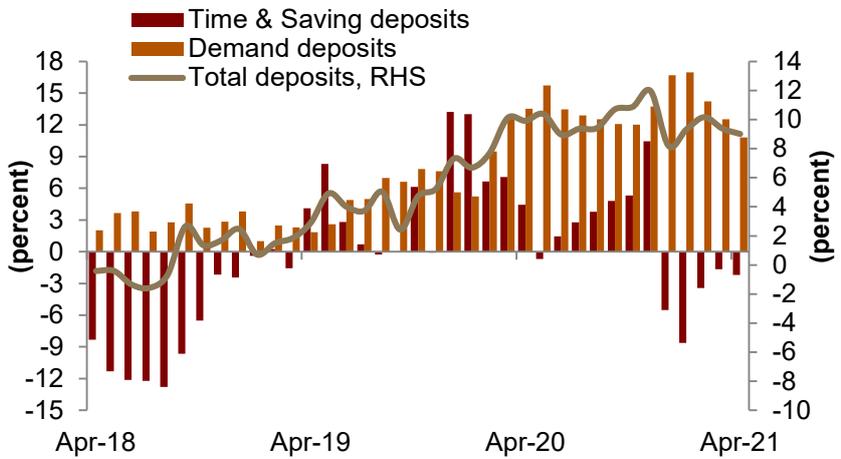
M3 rose by 8.3 percent year-on-year, and by 0.8 percent month-on-month in April.

Growth in Money Supply



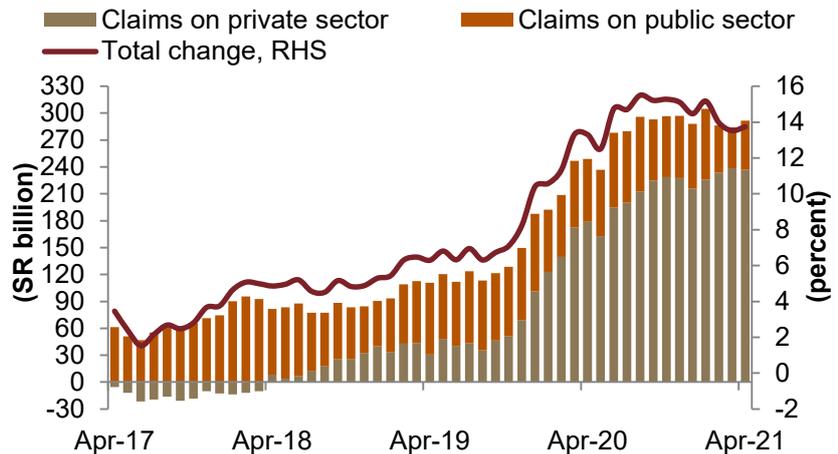
Total deposits rose by 9 percent year-on-year, and by 0.7 percent month-on-month.

Breakdown of Total Deposits (year-on-year change)



Meanwhile, total bank claims continued to rise with claims on the private sector rising by 14.4 percent in April.

Breakdown of Bank Claims (year-on-year change)

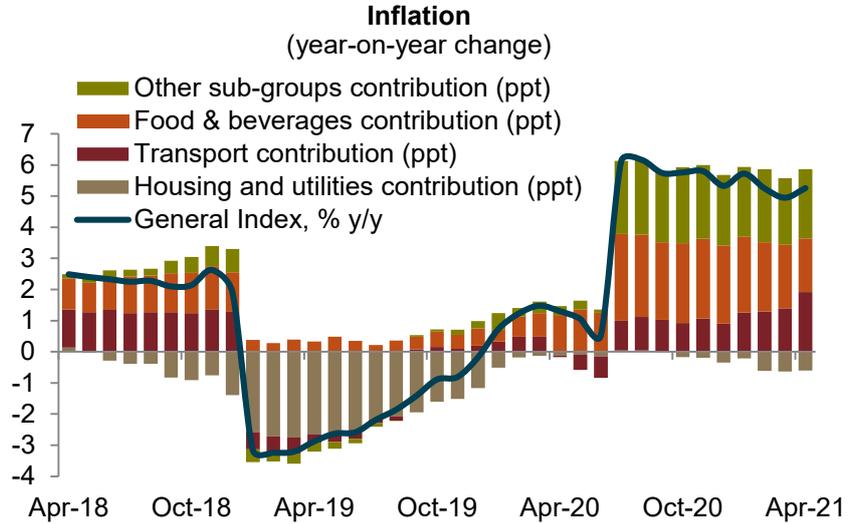




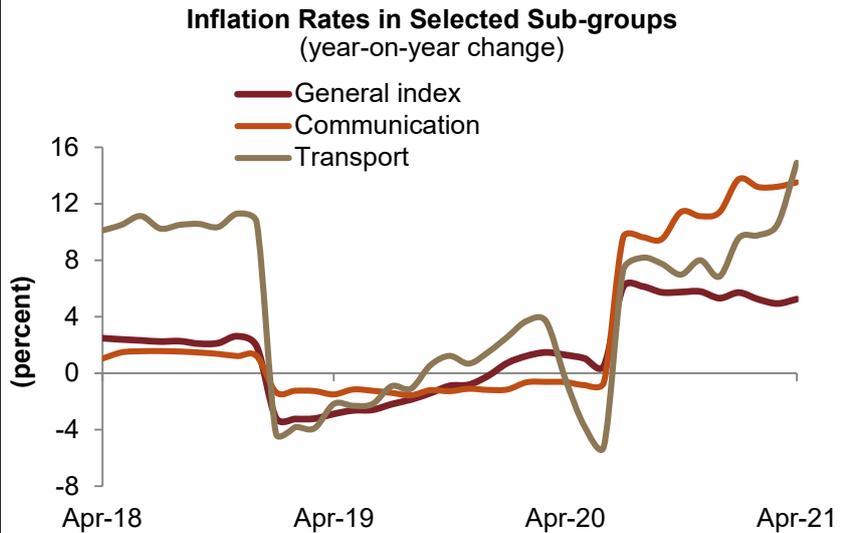
Inflation

Prices in April rose by 5.3 percent year-on-year, and by 0.2 percent month-on-month. Despite 'food and beverages' prices trending marginally lower since the start of the year, this segment is still exhibiting large annual rises, with an 8.4 percent year-on-year rise seen in April. At the same time, 'rentals for housing' continued on a deflationary trend during the month.

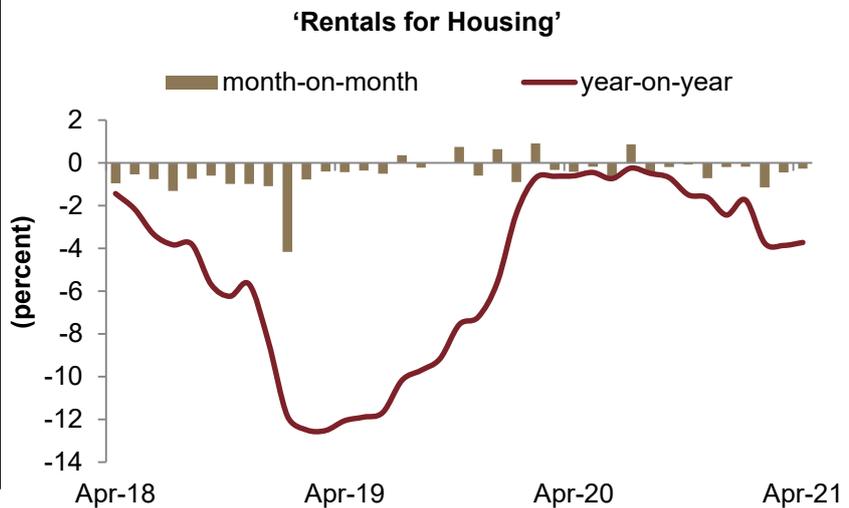
Prices in April rose by 5.3 percent year-on-year, and by 0.2 percent month-on-month.



'Communication' and 'transport' saw the highest annual rises amongst the CPI basket groups.



'Rentals for Housing' continued to see declining prices, down by 3.7 percent year-on-year and by 0.3 percent month-on-month.





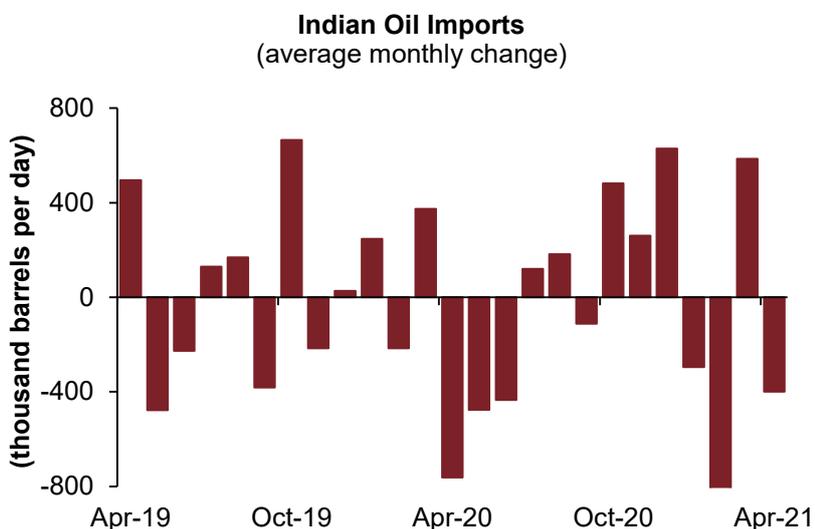
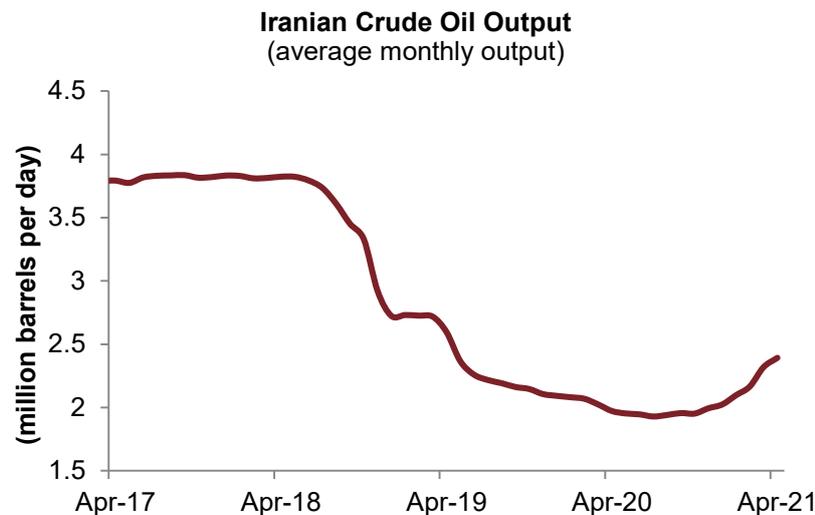
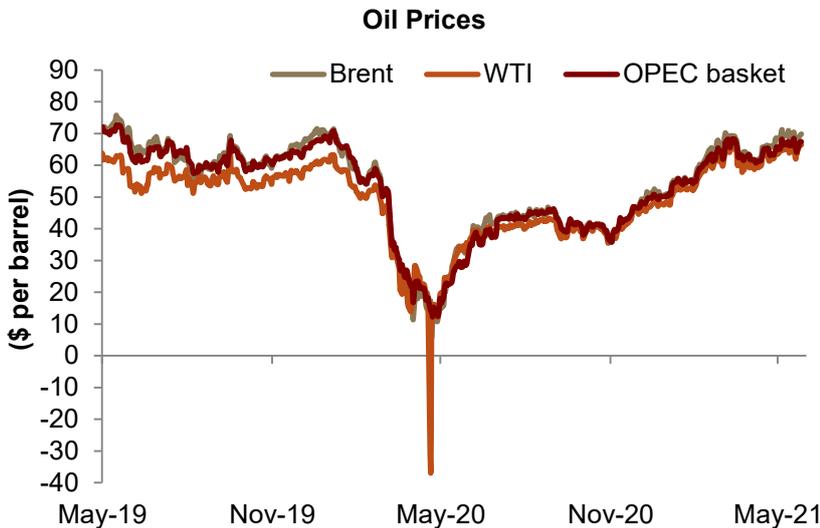
Oil - Global

Brent oil prices rose 7 percent and WTI rose 6 percent month-on-month, with the market drawing confidence from expectations of higher demand as more vaccines are administered around the world. Despite the overall positive sentiment, there are reasons to be cautious, with potentially higher levels of Iranian oil hitting the market in the near term, and oil imports of a major consumer, India, still being negatively impacted by a Covid-19 outbreak.

Brent oil prices rose 7 percent and WTI rose 6 percent month-on-month. Brent's oil prices averaged \$69 per barrel (pb) during May, the highest since December 2019 whilst WTI was the highest since August 2018, at \$65 pb.

Despite the overall positive sentiment, there are reasons to be cautious. Talks are currently under way to revive the 2015 Iran nuclear agreement, which could result in the lifting of US sanctions. If this occurs, market estimates suggest an extra 300-400 thousand barrels per day (tbpd) of Iranian oil exports hitting the market in the next few months.

In addition, oil imports of a major consumer, India, are still being negatively impacted by a Covid-19 outbreak.



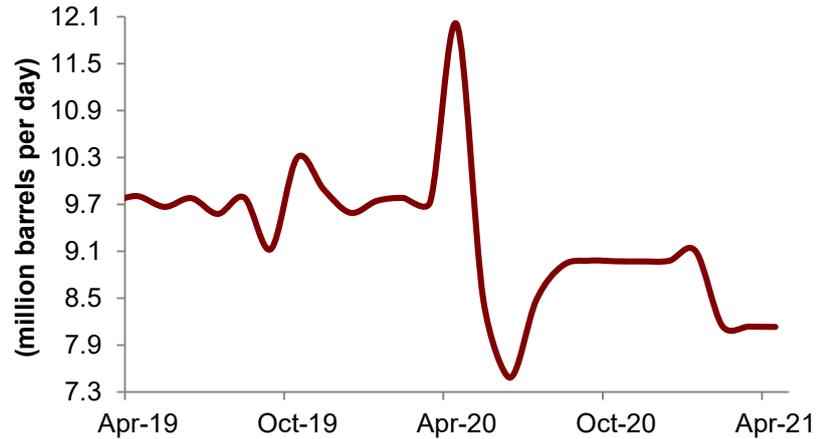


Oil - Regional

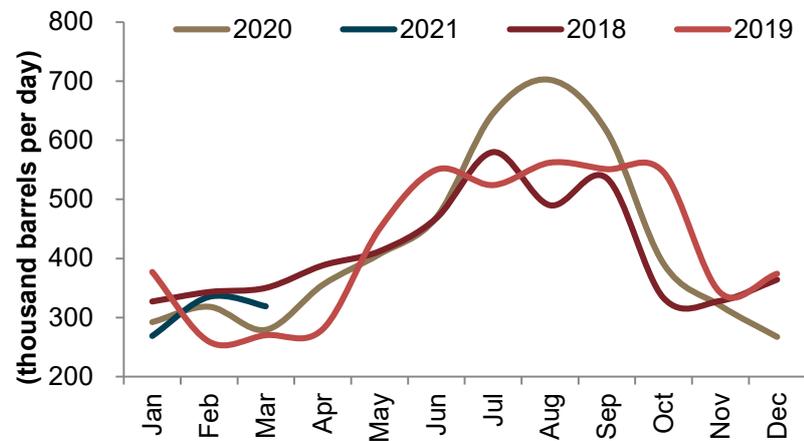
Saudi crude oil production averaged 8.1 million barrels per day (mbpd) in April, in line with announced unilateral cuts by the Kingdom. Looking ahead, we expect Saudi Arabia to gradually unwind oil output over the next three months, by 250, 350, and 400 tbd, respectively. Meanwhile, latest available data for Q1 2021 showed a yearly rise direct crude oil burn.

Saudi crude oil production remained flat compared to March. Looking ahead, we expect Saudi Arabia to gradually unwind oil output over the next three months, by 250, 350, and 400 tbd, respectively.

Average Monthly Saudi Crude Oil Production
(direct communication)

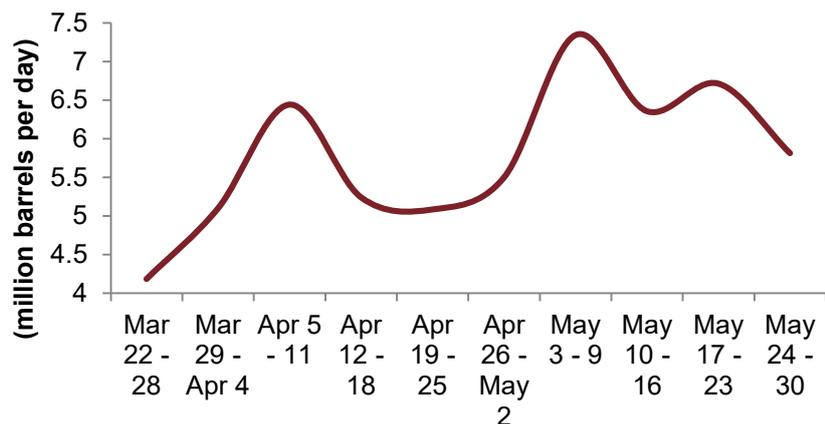


Saudi Direct Crude Oil Burn
(monthly average)



Latest available data for the first quarter showed a 3.8 percent yearly rise in direct crude oil burn (for electricity generation).

Saudi Crude Oil Exports
(weekly average)



Meanwhile, unofficial provisional data suggests Saudi crude oil exports averaged 6.5 mbpd in May, up 18 percent over April's average, and in-line with a rise in output outlined above.



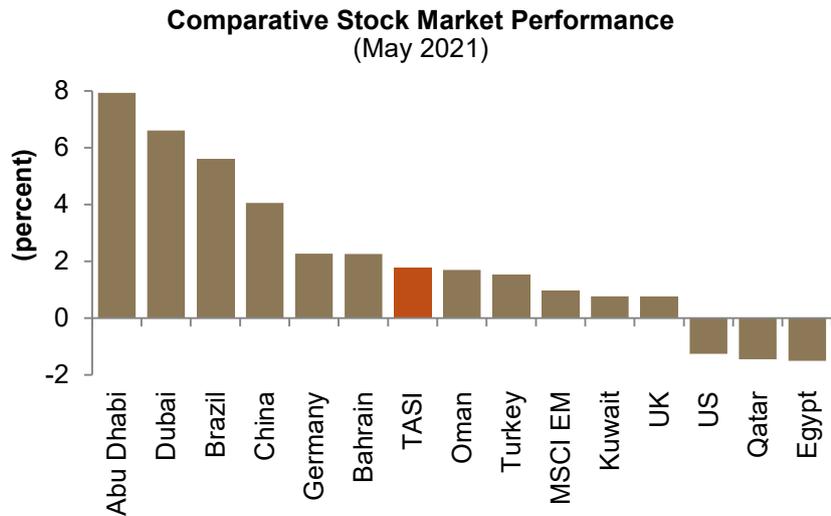
Stock Market

TASI continued its upward momentum in May, as it gained 1.3 percent month-on-month, pushing year-to-date rises to 20 percent. That said, comparatively speaking, TASI's rise during May was modest compared to some regional and emerging indices. Meanwhile, the Saudi stock market continued to see net purchases of SWAPs and buying by qualified foreign investors (QFIs) totaling SR1.6 billion (\$427 million) in May.

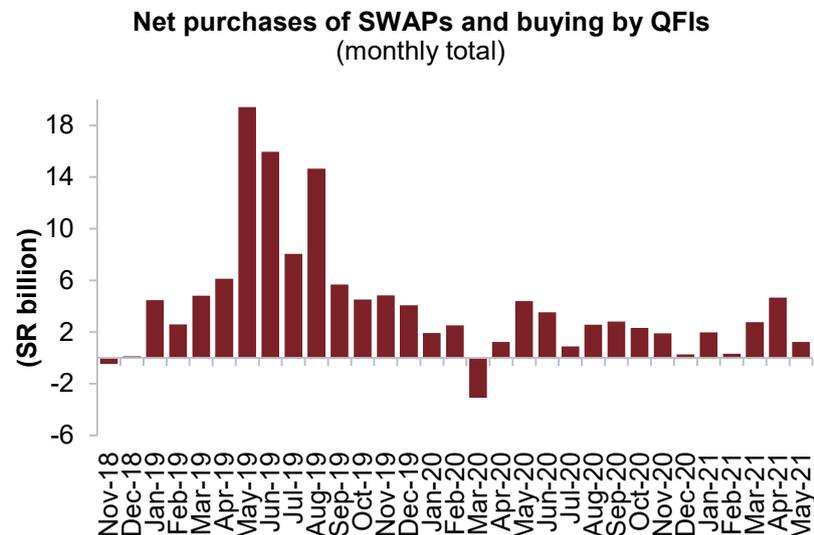
TASI continued its upward momentum in May, as it gained 1.3 percent month-on-month, pushing year-to-date rises to 20 percent.



That said, comparatively speaking, TASI's rise during May was modest compared to some regional and emerging indices, where recent positive sentiment is driving gains.



Meanwhile, the Saudi stock market continued to see net purchases of SWAPs and buying by qualified foreign investors (QFIs). Net inflows into the Saudi stock exchange currently total SR11.3 billion (\$3 billion) year-to-date.





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Key Data

	2014	2015	2016	2017	2018	2019	2020E	2021F	2022F
Nominal GDP									
(SR billion)	2,836	2,454	2,419	2,582	2,949	2,974	2,625	3,045	3,292
(\$ billion)	756	654	645	689	787	793	700	812	878
(% change)	1.3	-13.5	-1.4	6.8	14.2	0.8	-11.7	16.0	8.1
Real GDP (% change)									
Oil**	2.1	5.3	3.6	-3.1	3.1	-3.6	-6.7	-0.7	9.4
Non-oil private sector**	5.4	3.4	0.1	1.5	1.9	3.8	-3.1	3.1	2.9
Non-oil government**	3.7	2.7	0.6	0.7	2.9	2.2	-0.5	1.5	1.0
Total	3.7	4.1	1.7	-0.7	2.4	0.3	-4.1	1.3	5.1
Oil indicators (average)									
Brent (\$/b)	99	52	43	54	71	66	42	62	65
Production (million b/d)	9.7	10.2	10.4	10.0	10.3	9.8	9.2	9.0	9.7
Budgetary indicators (SR billion)									
Government revenue	1,044	616	519	692	906	926	770	888	938
Government expenditure*	1,140	1,001	936	930	1,079	1,059	1,068	990	955
Budget balance	-96	-385	-417	-238	-173	-133	-298	-102	-17
(% GDP)	-3.4	-15.7	-17.2	-9.2	-5.9	-4.5	-11.3	-3.3	-0.5
Gross public debt	44	142	317	443	560	678	854	937	1013
(% GDP)	1.6	5.8	13.1	17.1	19.0	22.8	32.5	30.8	30.8
Monetary indicators (average)									
Inflation (% change)	2.2	1.2	2.1	-0.8	2.5	-2.1	3.0	3.7	1.5
SAMA base lending rate (% end year)	2.0	2.0	2.0	2.0	3.0	2.3	0.75	0.75	1.25
External trade indicators (\$ billion)									
Oil export revenues	285	153	137	171	232	201	122	177	211
Total export revenues	342	204	184	222	294	262	175	235	274
Imports	158	159	128	123	126	140	120	126	126
Trade balance	184	44	56	98	169	121	55	109	147
Current account balance	74	-57	-24	10	72	38	-11	41	61
(% GDP)	9.8	-8.7	-3.7	1.5	9.2	4.8	-1.6	5.0	7.0
Official reserve assets	732	616	536	496	497	500	454	462	480
Social and demographic indicators									
Population (million)	30.3	31.0	31.7	32.7	32.5	32.6	31.8	32.0	32.3
Saudi Unemployment (15+, %)	11.7	11.5	12.5	12.8	12.7	12.0	14.0	12.1	10.9
GDP per capita (\$)	24,962	21,095	20,318	21,048	24,189	24,318	21,984	25,337	27,176

Sources: Jadwa Investment forecasts for 2021 and 2022. General Authority for Statistics for GDP and demographic indicators, Saudi Central for monetary and external trade indicators, Ministry of Finance for budgetary indicators. Note: *2016 government expenditure includes SR105 billion in due payment from previous years.