

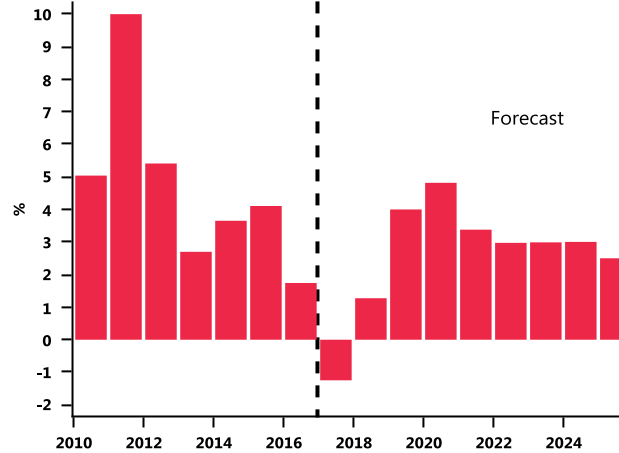
Saudi Arabia Capital Markets Key Indicators

January 2018

KEY HEADLINES

- Saudi Arabia's economy marginally contracted in 2017 as GDP declined by 1.2%. GDP growth is expected to regain momentum starting 2018 (+1.3%) and stabilise around 3% in the medium term, mainly driven by non-oil sectors.
- A weak economic environment has been weighing on inflation levels. Saudi Arabia's consumer prices stagnated in November 2017, recovering from marginal drops in previous months.
- Lending growth slipped into negative territory on an annual basis in 2017 amidst a weakening economic backdrop. Deposits accumulation remained challenged by tightening market liquidity.
- Coupled with an upward correction in oil prices, fiscal consolidation measures have helped to alleviate some pressures on the country's fiscal position in 2017.

FIGURE 1
Saudi Arabia GDP, YoY % Change

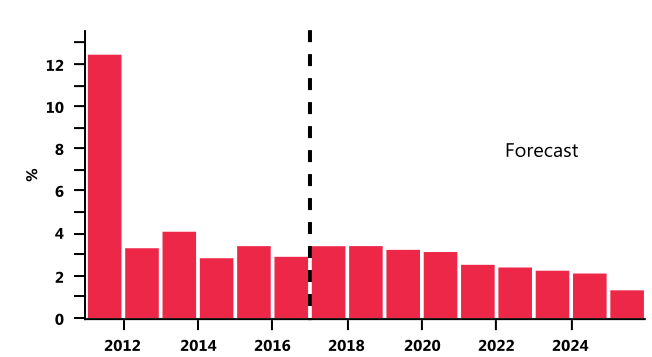


Source: Macrobond/ Oxford Economics



Saudi Arabia's economy marginally contracted in 2017 as GDP declined by 1.2%. GDP growth is expected to regain momentum starting 2018 (+1.3%) and stabilise around 3% in the medium term, mainly driven by non-oil sectors.

FIGURE 2
Employment Forecasts, YoY % Change



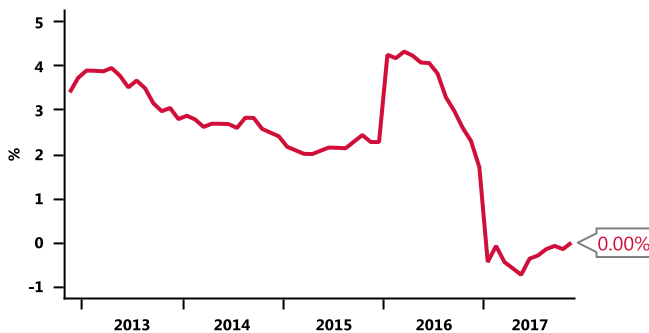
Source: Macrobond

	2017	2018	2019
Saudi Arabia Employment Forecasts % Change	3.40	3.40	3.22



Employment is forecast to grow 3.4% in 2017 and 2018 amidst continuous efforts from the Government towards youth employment and participation of Saudi nationals' in the workforce.

FIGURE 3
Inflation, YoY % Change



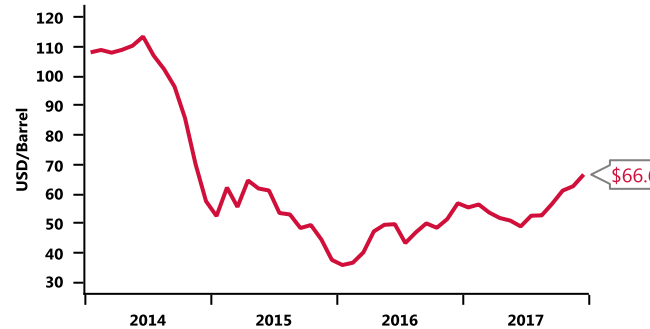
Source: Macrobond

	1 Year ago	6 months ago	Latest
CPI Inflation (%)	2.31	-0.72	0.00



A weak economic environment has been weighing on inflation levels. Saudi Arabia's consumer prices stagnated in November 2017, recovering from marginal drops in previous months.

FIGURE 4
Oil Prices



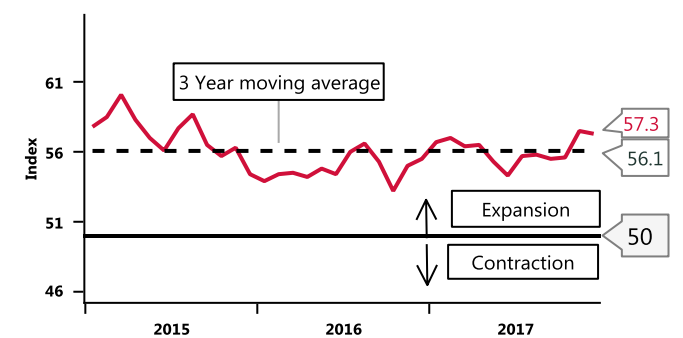
Source: Macrobond

	Latest	3 months ago	12 months ago
Oil Prices – Brent Crude \$	66.6	56.7	56.9



Oil prices have risen to \$66.6 pb as at Dec 2017, up from \$56.9 a year earlier - the highest price since November 2014. Increasing demand for oil and supply management by OPEC have been supporting prices.

FIGURE 5
Purchasing Managers Index



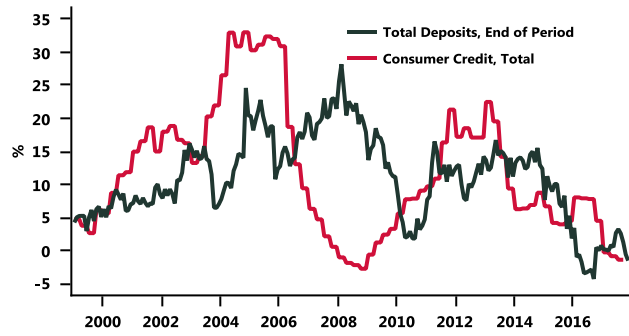
Source: Macrobond

	Latest	3 months ago	12 months ago
Composite PMI	57.3	55.5	55.5



The ENBD Saudi Arabia PMI, an indicator of the performance of non-oil economy indicates a reading of 57.3 in December 2017, well above the 50 level, pointing to continuous expansion of non-oil sectors.

FIGURE 6
Deposits and Loans, YoY % Change



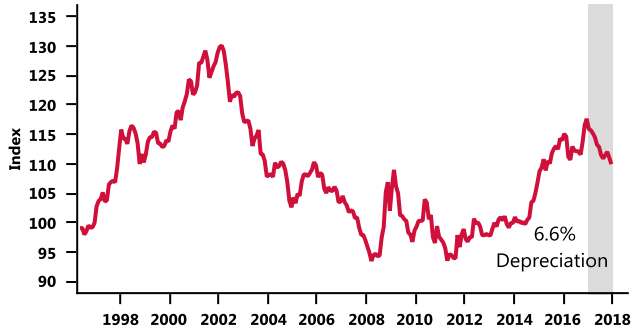
Source: Macrobond

	1 Year % Change (Nov 2017)		1 Year % Change (Sep 2017)
Deposits	-1.5	Credit	-1.4



Lending growth slipped into negative territory on an annual basis in 2017 amidst a weakening economic backdrop. Deposits accumulation remained challenged by tightening market liquidity.

FIGURE 9
Nominal broad effective exchange rate index, The SAR's performance against key currencies



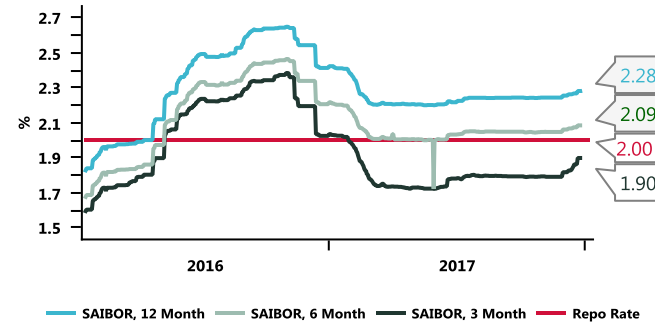
Source: Macrobond

	1 month	3 months	12 months
Effective Exchange Rate % Change	-1.0	-1.4	-6.6



The SAR exchange rate index devalued 6.6% in 2017, echoing the weakening of the US Dollar.

FIGURE 7
Interest Rates



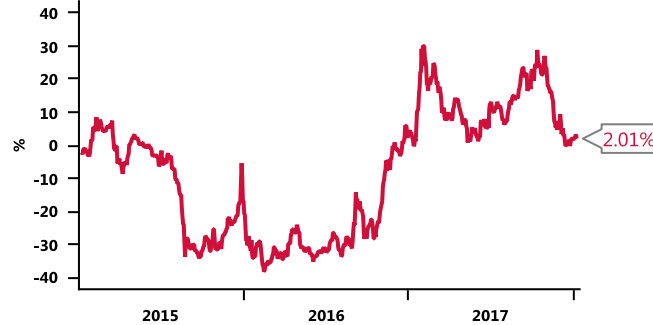
Source: Macrobond

	26 Dec	3 months ago	12 months ago
3-Months SAIBOR(%)	1.90	1.79	2.03
6-Months SAIBOR(%)	2.09	2.05	2.21
1-Year SAIBOR(%)	2.28	2.24	2.41



Borrowing rates started trending higher in 2015, in the context of a rising rate environment prompted by the initiation of the FED rate hikes. The 1-Year SAIBOR has hovered around 2.3% in recent months as compared to 1% in the beginning of 2015.

FIGURE 10
Tadawul All Share Index Performance, 1 Year % Change

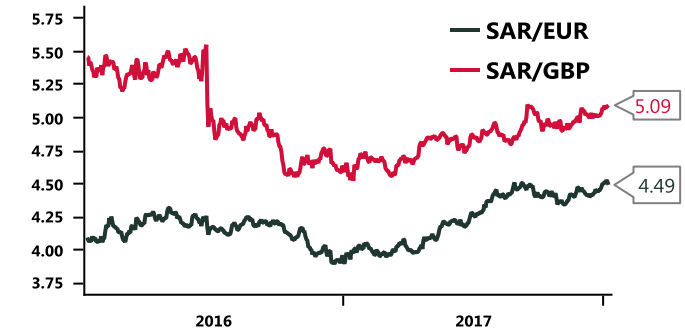


Source: Macrobond



Saudi Arabia's broad stock market index up by 2% YoY in 2017.

FIGURE 8
Foreign Exchange Rates



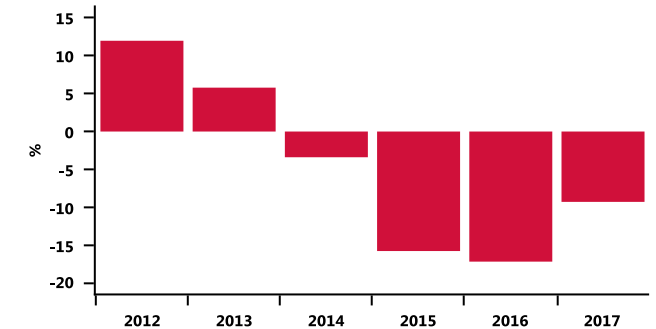
Source: Macrobond

	Latest	3 months ago	12 months ago
SAR to EUR (10 th Jan 2017)	4.49	4.31	3.96
SAR to GBP (10 th Jan 2017)	5.09	4.95	4.57



Positive economic data across the Eurozone has strengthened the Euro against most currencies. Given the reasonably positive conclusion of the first round of Brexit discussions, the UK Pound has strengthened.

FIGURE 11 – Chart of the month
Fiscal balance as % of GDP



Source: Macrobond



Coupled with an upward correction in oil prices, fiscal consolidation measures have helped to alleviate some pressures on the country's fiscal position in 2017.



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