



Summary

Real economy: Indicators of consumer spending picked up in October in both absolute and year-on-year terms, which is encouraging given the heightening problems in the global economy. Cement sales recovered after Ramadan and Eid al-Fitr.

Bank lending: Bank lending to the private sector rose at the fastest pace in two years in October. Although interbank rates have continued to creep up, the increase in lending suggests that banks are not yet unduly concerned about the potential spread of stresses in Eurozone banks.

Money supply: Money supply growth jumped in October, driven largely by a jump in government foreign currency deposits. Total bank deposits hit a new all-time high even though time and savings deposits were near a four-year low.

Inflation: Inflation fell slightly in October owing to a fall in food price inflation. Most other components of the cost of living index rose, with rental inflation up for the fifth consecutive month.

Current account: The current account surplus rose in the second quarter owing to higher oil revenues. Import growth was reasonably sluggish. Inflows of investment income were at an all-time high and outflows of workers remittances were only a little off their peak.

Oil: Oil prices have generally been fairly stable over the past month, oscillating in line with concerns about the Eurozone. Technical factors have caused a significant narrowing of the differential between Brent and WTI.

Exchange rates: The deepening Eurozone crisis and deteriorating economic data has pushed the euro down against the dollar. The Egyptian pound has slipped to a psychologically important level against the dollar and the Indian rupee has fallen sharply.

Stock market: The TASI fell by 1.9 percent in November, owing to expectations of slower fourth quarter earnings growth and movements in global markets. Volumes rose for the fourth month in a row, but were mostly driven by high speculative activity.

Sectoral performance: Only six sectors were up in November, led by the smaller sectors that have been the target of heavy speculative activity in recent months. All of the main sectors fell, which may point to investor concern about the impact of global economic strains.

Valuation: The price-to-earnings ratio of the TASI is close to its low point since April 2009. However, falls in stock markets across the world mean that it is still not cheap when compared to leading global, emerging and regional markets.

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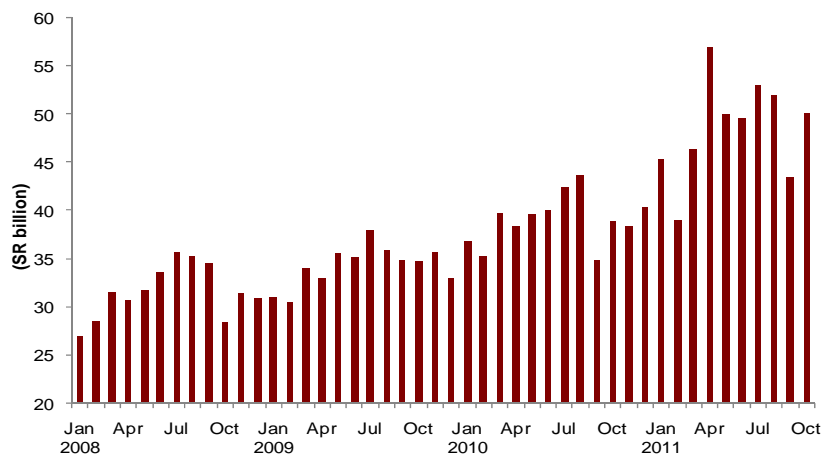


Real economy

Indicators of consumer spending picked up in October in both absolute and year-on-year terms, which is encouraging given the heightening problems in the global economy. Cement sales recovered after Ramadan and Eid al-Fitr.

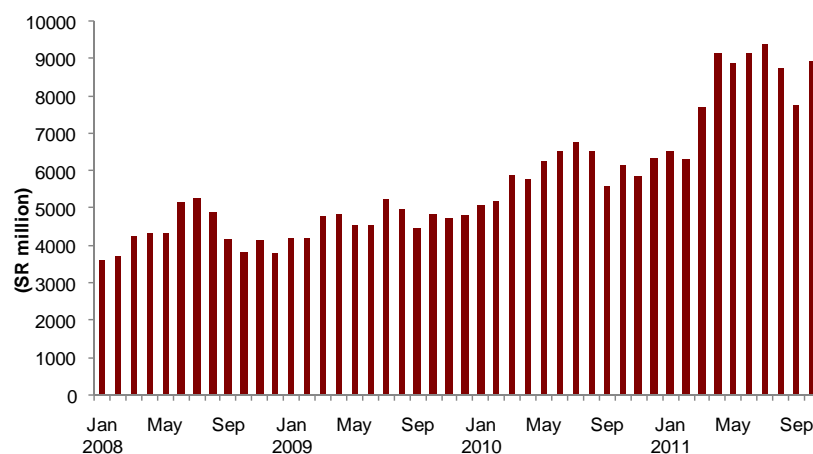
The value of cash withdrawals from ATMs rebounded to over SR50 billion in October. Year-on-year growth rose to 28.8 percent, its highest since April.

Value of cash withdrawals from ATMs



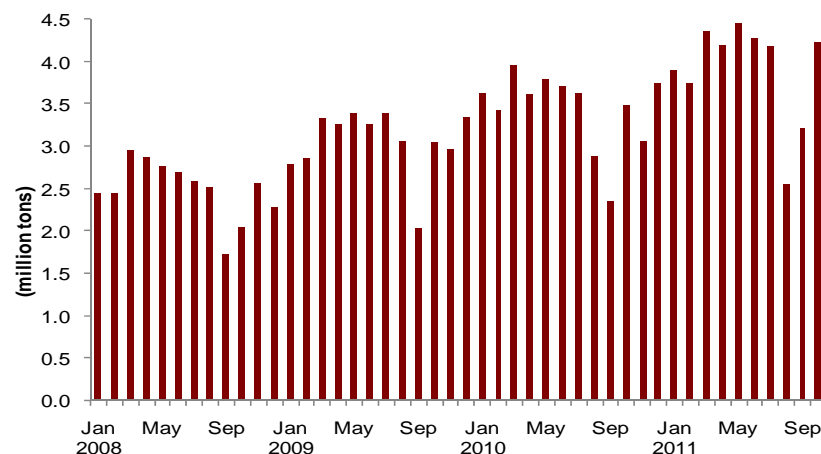
Year-on-year growth in the value of point of sale transactions rose to 45.4 percent.

Value of point of sale transactions



Cement sales jumped in line with their usual seasonal trend. Cement sales for the first ten months of the year were 13.5 percent higher than in the same period of 2010. This is little changed from the growth for the whole of last year, of 12.3 percent.

Cement sales

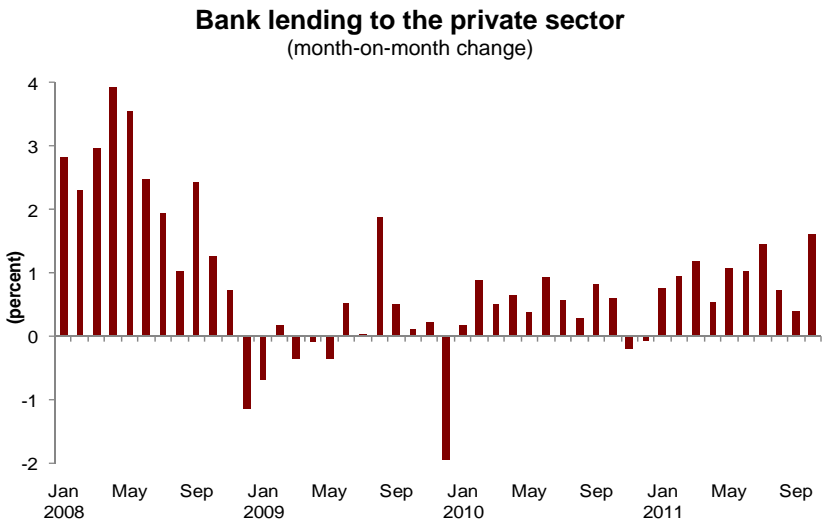




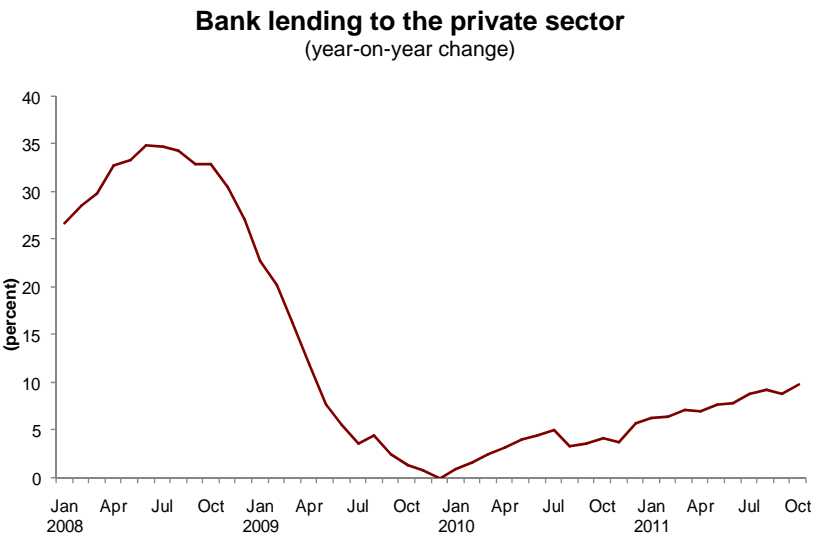
Bank lending

Bank lending to the private sector rose at the fastest pace in two years in October. Although interbank rates have continued to creep up, the increase in lending suggests that banks are not yet unduly concerned about the potential spread of stresses in Eurozone banks.

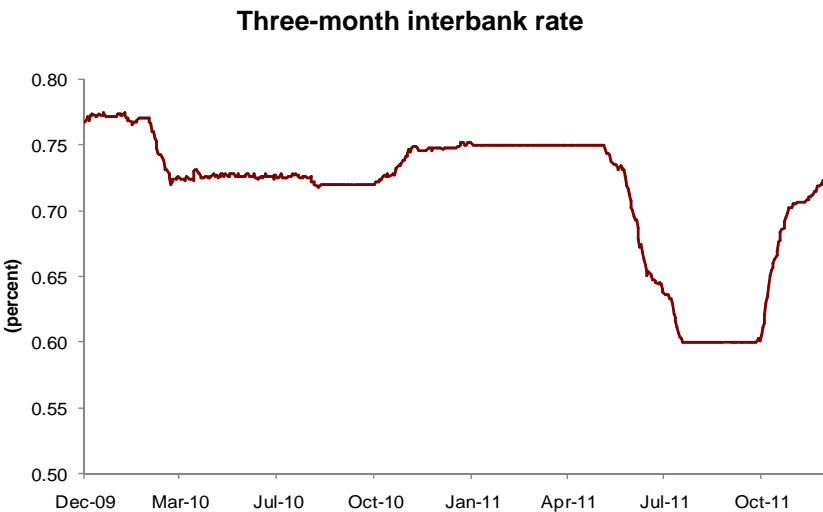
Bank lending to the private sector rose by 1.6 percent in October, the largest monthly gain since August 2009...



...the year-on-year growth rate rose to 9.8 percent.



Interbank rates have continued to rise modestly, but concerns about the health of Eurozone banks do not appear to have hit local bank's willingness to lend.

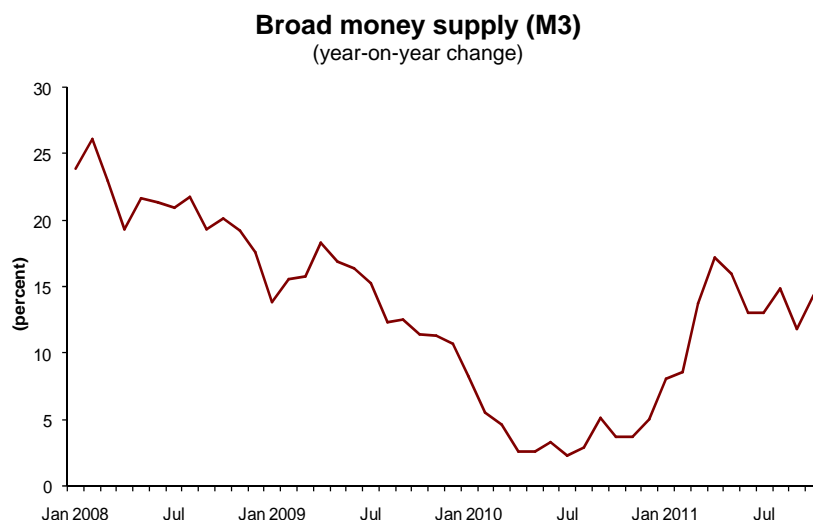




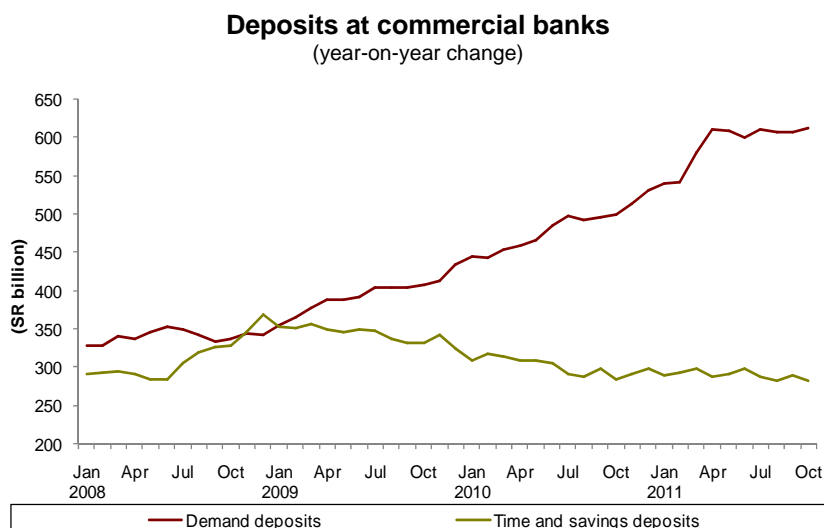
Money supply

Money supply growth jumped in October, driven largely by a jump in government foreign currency deposits. Total bank deposits hit a new all-time high even though time and savings deposits were near a four-year low. The loan-to-deposit ratio stayed below 80.

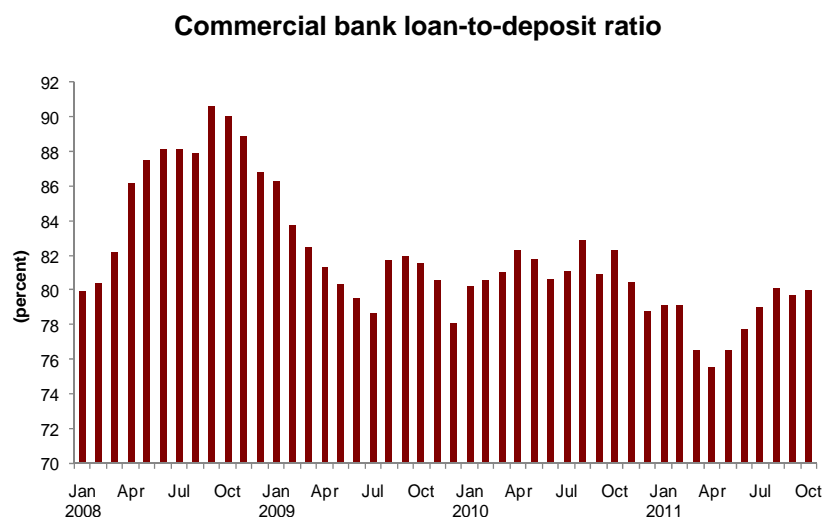
Broad money supply (M3) growth rose to 14.4 percent in October...



...due largely to higher foreign currency deposits. The government lifted its foreign currency deposits by SR11 billion (17 percent). The value of time and savings deposits was at its lowest level since November 2007.



The loan-to-deposit ratio stayed below 80 despite the increase in lending.

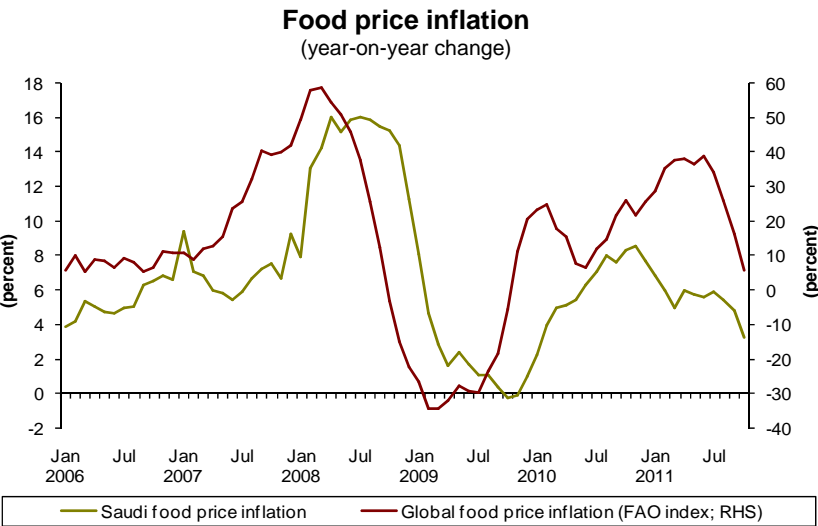




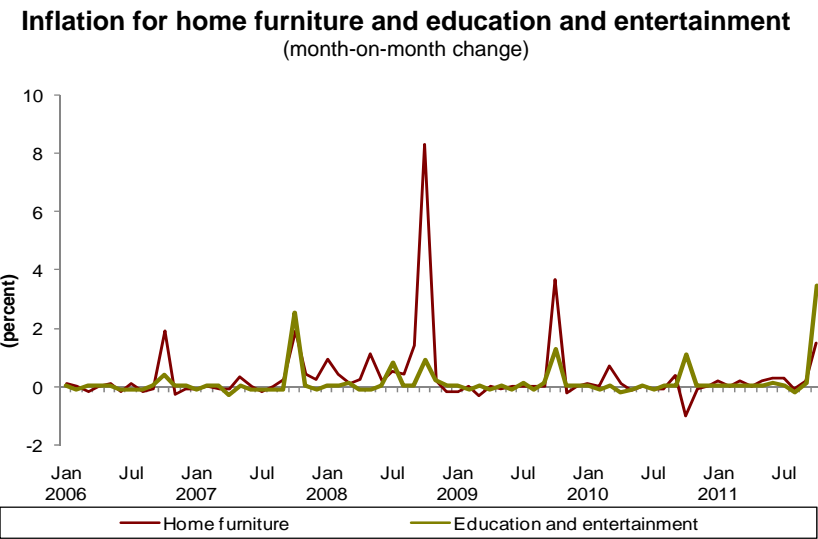
Inflation

Inflation fell slightly in October owing to a fall in food price inflation. Most other components of the cost of living index rose, with rental inflation up for the fifth consecutive month. Nonetheless, we do not see serious inflationary pressure in the economy.

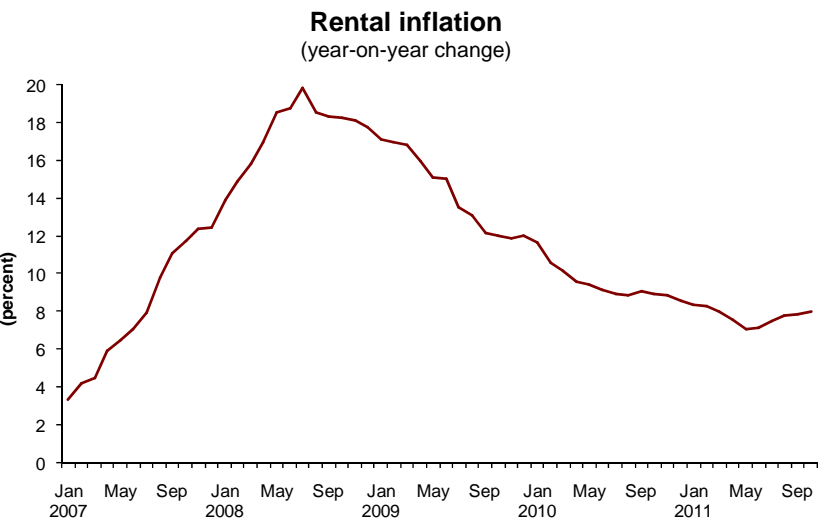
Inflation dipped to 5.2 percent in October as the fall in global food prices lowered food price inflation in the Kingdom.



Most other components of the cost of living index rose. For home furniture and education and entertainment this was due to annual adjustments that occur each October.



Rental inflation rose for the fifth consecutive month, emphasizing the need for new housing.





Current account

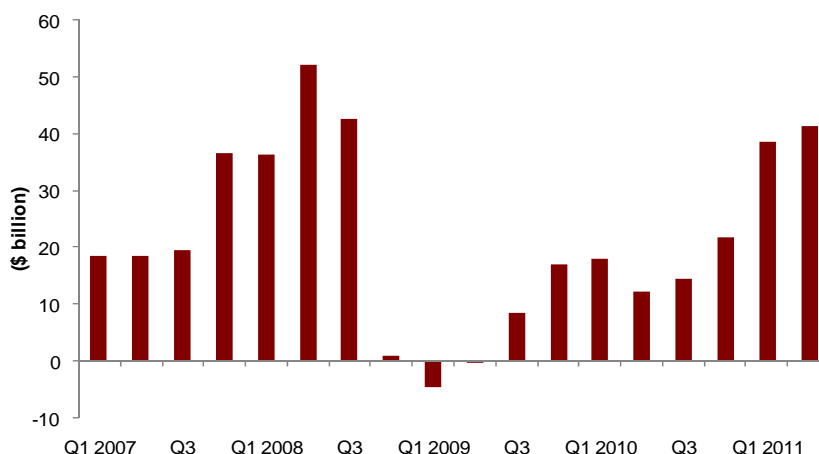
The current account surplus rose in the second quarter owing to higher oil revenues. Import growth was reasonably sluggish. Inflows of investment income were at an all-time high and outflows of workers remittances were only a little off their peak.

The current account surplus rose to \$41.4 billion in the second quarter, from an upwardly-revised \$38.6 billion in the first quarter...

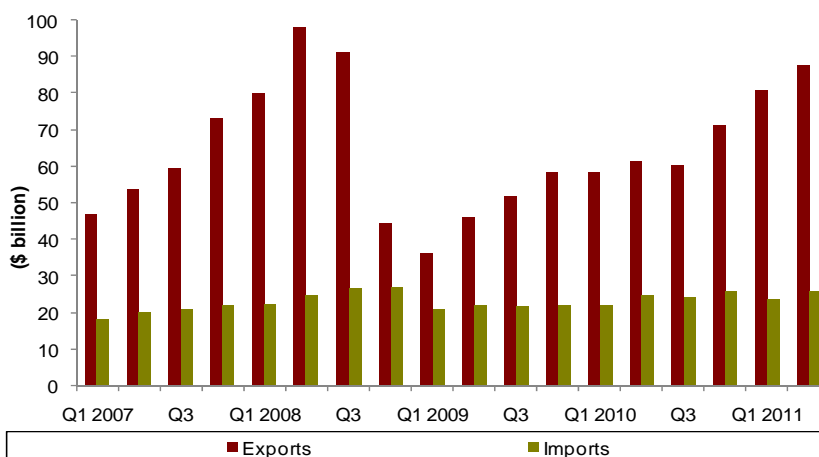
...owing to higher oil export revenues. Import growth was fairly subdued given the high consumer spending during the quarter.

Notable changes elsewhere include a drop in foreign travel outflows (probably related to regional unrest), the lowest spending on imported construction services for over five years and investment income hitting an all-time high.

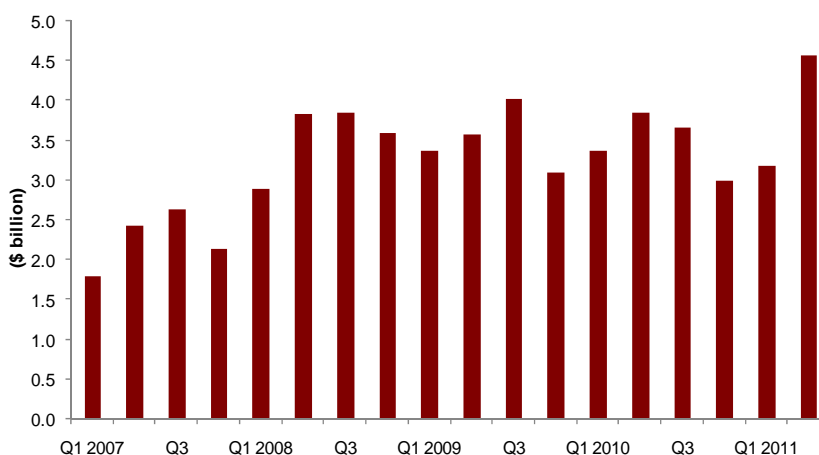
Current account balance



Exports and imports of goods



Inflows of portfolio investment



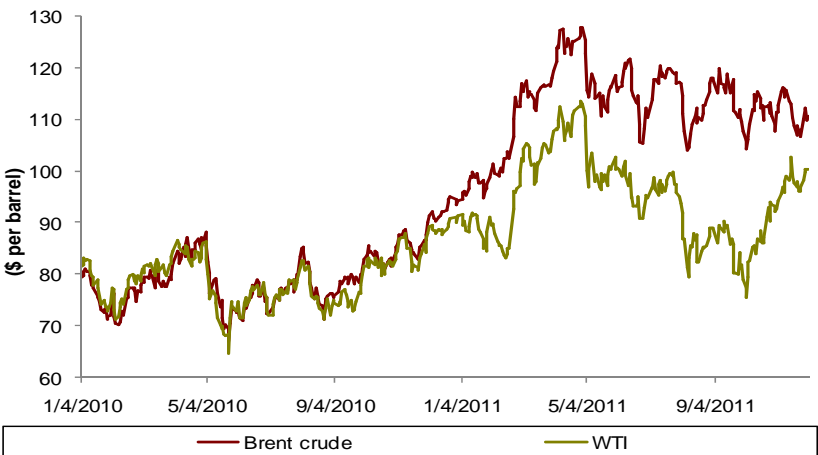


Oil

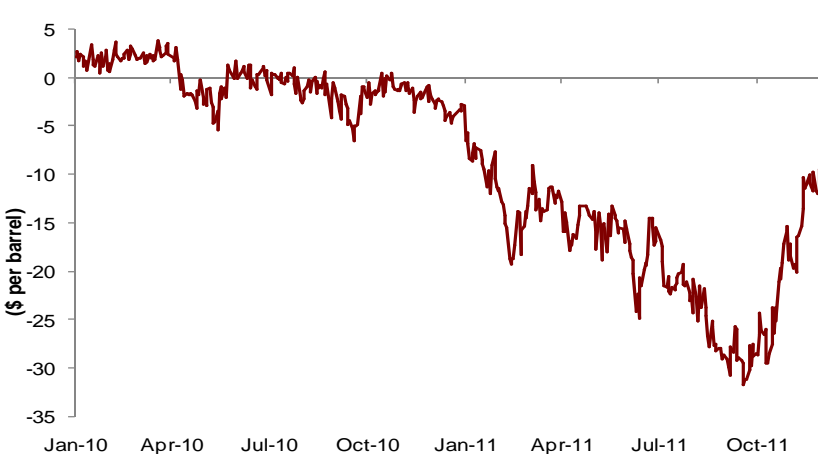
Oil prices have generally been fairly stable over the past month, oscillating in line with concerns about the Eurozone. Technical factors have caused a significant narrowing of the differential between Brent and WTI.

Oil prices movements over the month have been influenced heavily by investor views of the health of the Eurozone.

Oil prices

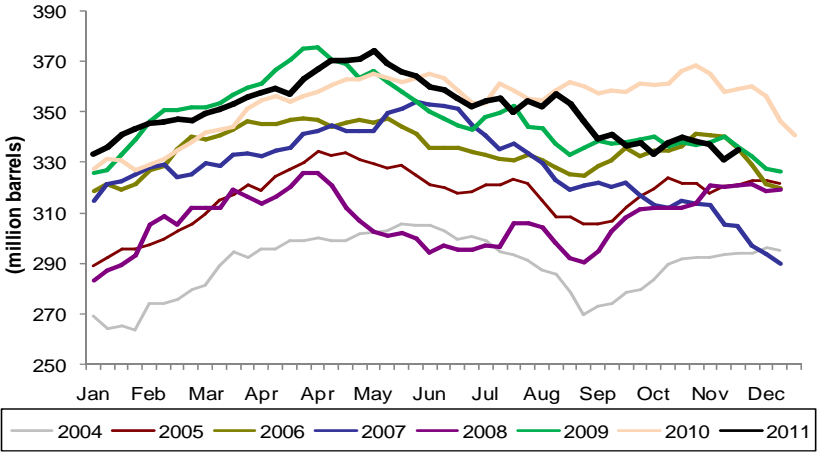


Spread between WTI and Brent



WTI has outperformed Brent owing to measures to tackle the local factors that had been weighing on the price of this blend of crude.

US oil stocks



Low oil stocks are supporting high prices.

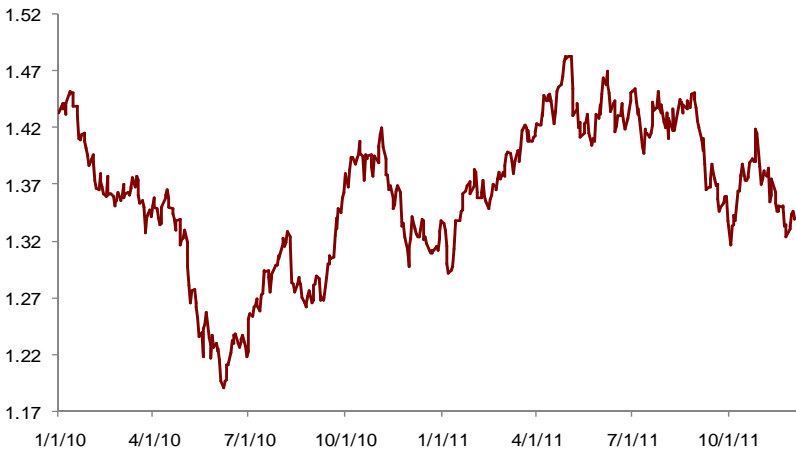


Exchange rates

The deepening crisis in the Eurozone and deteriorating economic data has pushed the euro down against the dollar. The Egyptian pound has slipped to a psychologically important level against the dollar and the Indian rupee has fallen sharply.

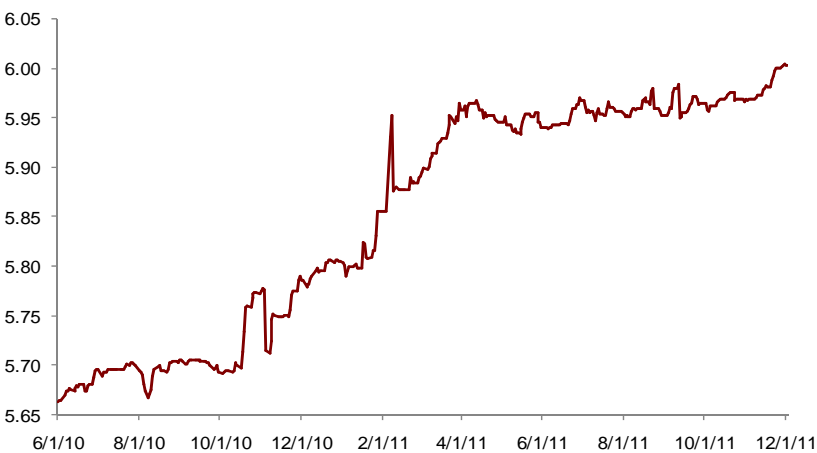
The deepening crisis in the Eurozone and deteriorating economic data from the region has caused the euro to weaken against the dollar.

Dollar/euro



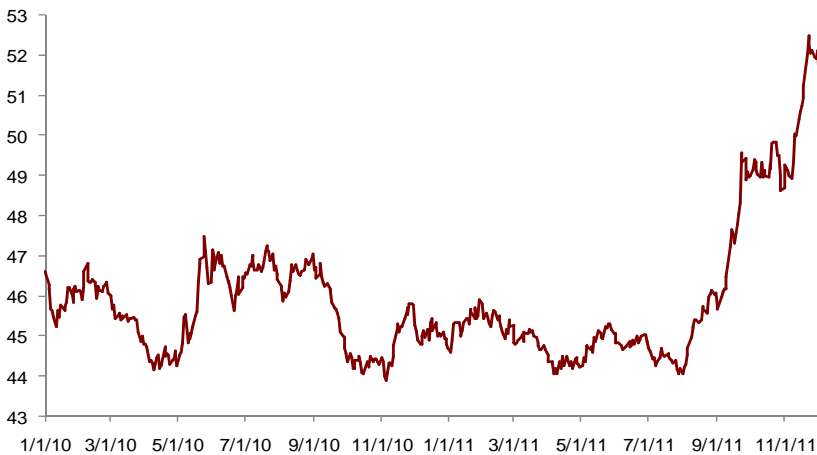
The Egyptian pound has slipped to the psychologically important level of 6 to the dollar. Given the pressure on the balance of payments, a larger fall appears inevitable.

Egyptian pound/dollar



Weakening growth and outflows of foreign capital caused the Indian rupee record to its largest monthly fall in 16 years in November. This has boosted the local value of remittances from the Kingdom.

Indian rupee/dollar





Stock market

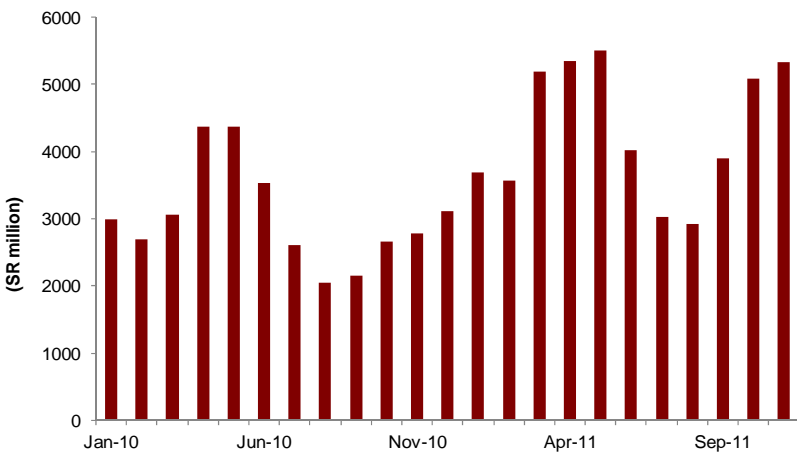
The TASI fell by 1.9 percent in November, owing to expectations of slower fourth quarter earnings growth and movements in global markets. Volumes rose for the fourth consecutive month, but were mostly driven by high speculative activity.

The TASI fell by 1.9 percent in November. Performance was less affected than usual by moves on global markets, with the TASI posting only a modest decline in the first half of the month and missing most of the recent rally.

TASI

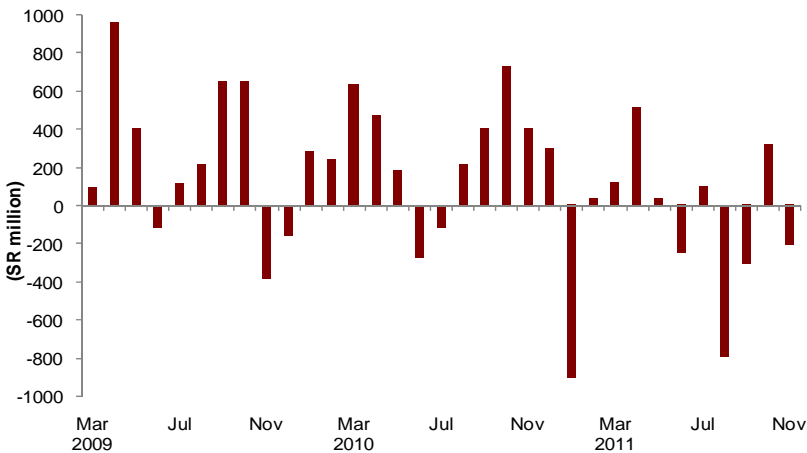


Average daily turnover



Volumes averaging SR5.1 billion per day as heavy speculative activity in smaller sectors persisted.

Net foreign purchases through the swap agreement



Foreign investors sales through the swap agreement exceeded purchases in November, perhaps reflecting greater risk aversion.



Sectoral performance

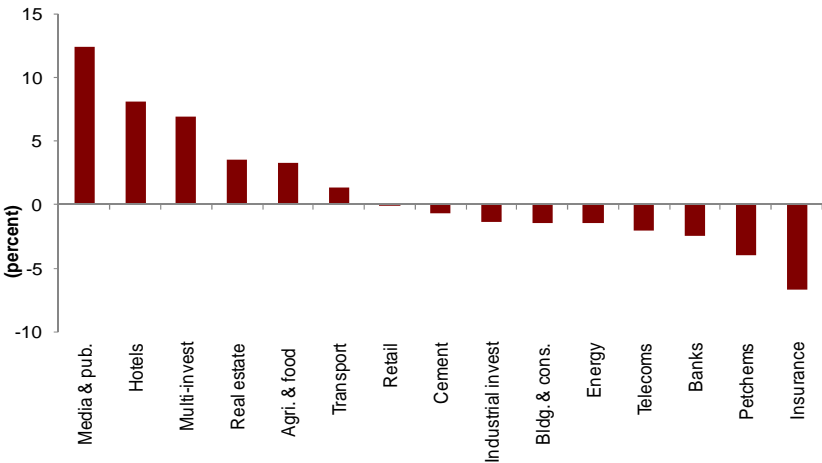
Only six of the 15 sectors were up in November, led by the smaller sectors that have been the target of heavy speculative activity in recent months. All of the main sectors fell, which may point to investor concern about the impact of global economic strains.

The top performing sectors were the smallest by market capitalization and the worst performers were generally the largest.

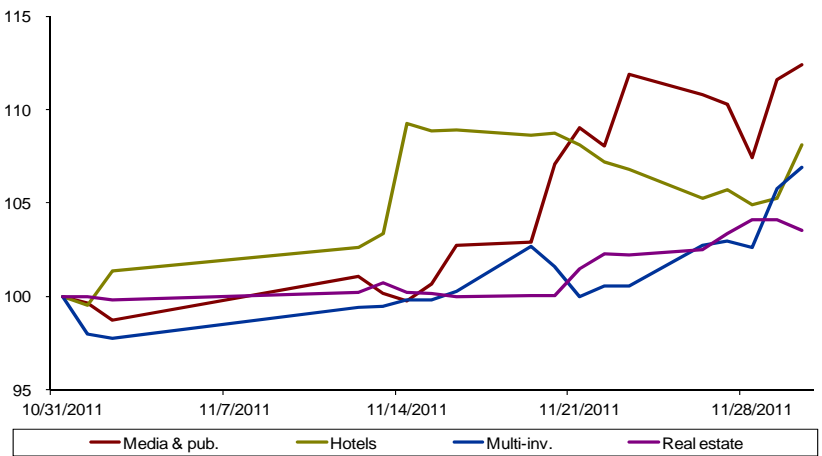
There were no clear catalysts for the best performing sectors this month.

Prices of insurance companies were buffeted by speculation. The sector accounted for 43.1 of total transactions in November. Petrochemicals was hit by the deteriorating global outlook.

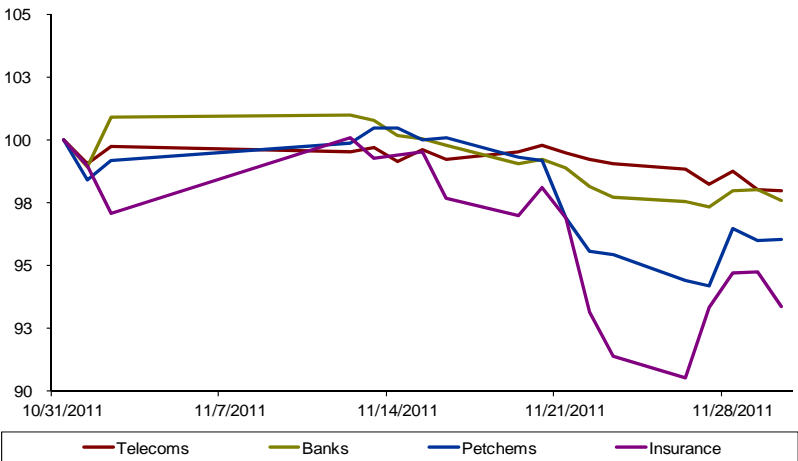
Performance by sector
(rebased; October 31, 2011 = 100)



Best performing sectors
(rebased; October 31, 2011 = 100)



Worst performing sectors
(rebased; October 31, 2011 = 100)





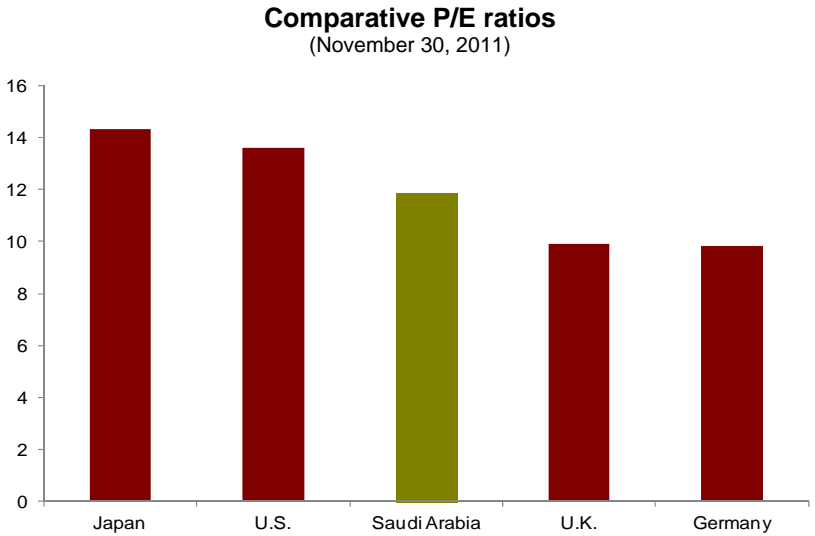
Valuation

The price-to-earnings ratio of the TASI is close to its low point since April 2009. However, falls in stock markets across the world mean that it is still not cheap when compared to leading global, emerging and regional markets.

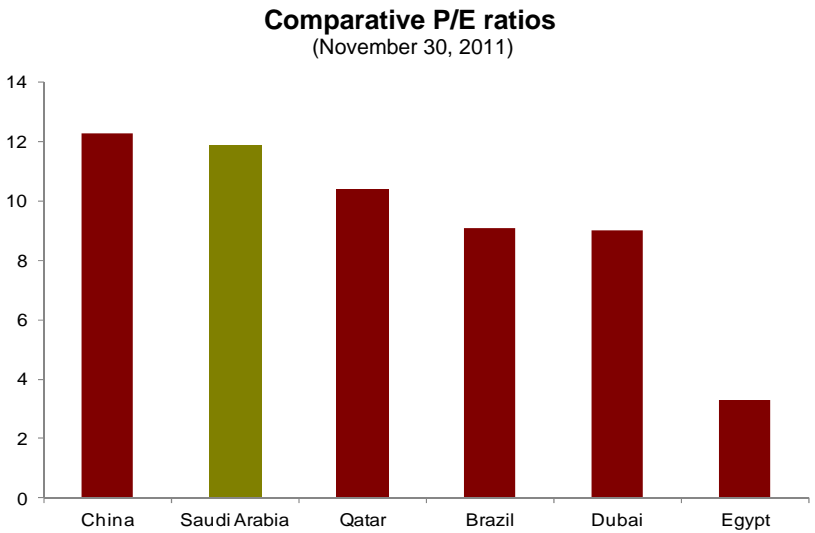
Share prices have slipped despite healthy earnings growth, pushing the P/E ratio to close to its low point since April 2009.



Nonetheless, it remains on par with leading markets...



...and more expensive than most regional and emerging markets.





Key data

| | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011F | 2012F |
|---|-------|--------|--------|--------|--------|--------|--------|--------|--------|
| Nominal GDP | | | | | | | | | |
| (SR billion) | 938.8 | 1182.5 | 1335.6 | 1442.6 | 1786.1 | 1397.5 | 1630.0 | 2079.2 | 1977.3 |
| (\$ billion) | 250.3 | 315.3 | 356.2 | 384.7 | 476.3 | 372.7 | 434.7 | 554.4 | 527.3 |
| (% change) | 16.7 | 26.0 | 12.9 | 8.0 | 23.8 | -21.8 | 16.6 | 27.6 | -4.9 |
| Real GDP (% change) | | | | | | | | | |
| Oil | 6.7 | 6.2 | -0.8 | -3.6 | 4.2 | -7.6 | 2.1 | 14.4 | -2.8 |
| Non-oil private sector | 5.3 | 5.8 | 6.1 | 5.5 | 4.6 | 2.7 | 3.7 | 4.2 | 4.9 |
| Government | 3.1 | 4.0 | 3.1 | 3.0 | 3.7 | 5.2 | 5.9 | 5.0 | 5.0 |
| Total | 5.3 | 5.6 | 3.2 | 2.0 | 4.2 | 0.2 | 3.8 | 7.1 | 2.7 |
| Oil indicators (average) | | | | | | | | | |
| WTI (\$/b) | 41.5 | 56.6 | 66.1 | 72.3 | 99.7 | 62.0 | 79.5 | 94.0 | 86.0 |
| Saudi (\$/b) | 34.7 | 49.5 | 60.5 | 68.1 | 93.4 | 60.5 | 77.7 | 105.0 | 92.0 |
| Production (million b/d) | 9.0 | 9.5 | 9.2 | 8.7 | 9.2 | 8.2 | 8.2 | 9.2 | 8.8 |
| Budgetary indicators (SR billion) | | | | | | | | | |
| Government revenue | 392 | 564 | 674 | 643 | 1101 | 510 | 742 | 1097 | 824 |
| Government expenditure | 285 | 346 | 393 | 466 | 520 | 596 | 645 | 809 | 753 |
| Budget balance | 107 | 218 | 280 | 177 | 581 | -87 | 97 | 288 | 71 |
| (% GDP) | 11.4 | 18.4 | 21.0 | 12.2 | 32.5 | -6.2 | 5.9 | 13.9 | 3.6 |
| Domestic debt | 614 | 475 | 366 | 267 | 237 | 225 | 167 | 160 | 160 |
| (% GDP) | 65.4 | 40.2 | 27.4 | 18.5 | 13.3 | 16.1 | 10.2 | 7.7 | 8.1 |
| Monetary indicators (average) | | | | | | | | | |
| Inflation (% change) | 0.3 | 0.7 | 2.3 | 4.1 | 9.9 | 5.1 | 5.3 | 4.9 | 4.4 |
| SAMA base lending rate (% , year end) | 2.50 | 4.75 | 5.20 | 5.50 | 2.50 | 2.00 | 2.00 | 2.00 | 2.00 |
| External trade indicators (\$ billion) | | | | | | | | | |
| Oil export revenues | 110.4 | 161.6 | 188.2 | 205.3 | 281.0 | 163.1 | 214.9 | 305.2 | 232.8 |
| Total export revenues | 125.7 | 180.4 | 210.9 | 233.1 | 313.4 | 192.2 | 251.0 | 346.8 | 277.2 |
| Imports | 41.1 | 53.8 | 63.0 | 81.5 | 100.6 | 86.4 | 96.7 | 102.5 | 114.7 |
| Trade balance | 84.6 | 126.6 | 147.8 | 151.6 | 212.7 | 105.8 | 154.3 | 244.3 | 162.5 |
| Current account balance | 51.9 | 90.0 | 98.9 | 93.3 | 132.3 | 21.0 | 67.0 | 162.9 | 81.6 |
| (% GDP) | 20.7 | 28.5 | 27.8 | 24.3 | 27.8 | 5.6 | 15.4 | 29.4 | 15.5 |
| Official foreign assets | 127.9 | 195.5 | 273.4 | 359.8 | 502.0 | 474.2 | 520.3 | 637.2 | 697.3 |
| Social and demographic indicators | | | | | | | | | |
| Population (million) | 22.7 | 23.4 | 24.1 | 24.8 | 25.5 | 26.3 | 27.1 | 27.9 | 28.8 |
| Unemployment (male, 15+, %) | 11.0 | 11.5 | 12.0 | 11.0 | 9.8 | 10.5 | 10.2 | 11.0 | 10.5 |
| GDP per capita (\$) | 11039 | 13503 | 14806 | 15523 | 18651 | 14158 | 16017 | 19849 | 18308 |

Sources: Jadwa forecasts for 2011 and 2012. Saudi Arabian Monetary Agency for GDP, monetary and external trade indicators. Ministry of Finance for budgetary indicators. Central Department of Statistics and Jadwa estimates for oil, social and demographic indicators.



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