SABB ساب
Business Insight
June 2019
Issue 6. Vol. 5

IN THIS EDITION ...

The Saudi Arabian Monetary Agency's (SAMA) latest Financial Stability Report has some promising analysis and data, indicating that the economy is back on track and set for further improvement over the next year.

A key indicator is SAMA's own foreign reserves at the end of 2018, which rose for the first time since 2014 to reach almost SAR 1.9 trillion – sufficient for 40 months of imports.

SAMA data also shows government revenues have increased significantly in 2018 owing to both the oil and non-oil sectors. Total revenue reached SAR 895 billion in 2018, an uptick of almost 30% compared to the previous year, while non-oil revenue amounted to SAR 287 billion, of which tax revenue represented some SAR 166 billion, an increase of almost 90% on the previous year.

The fiscal strength and improvement in domestic fundamentals are important as most analysts believe the global economy is going to grow at a slower pace due to rising trade uncertainty, geopolitical headwinds and a slowdown in the Chinese and US economies.

"Overall, the Saudi economy remains quite resilient against contagion from growing uncertainty in the global economy," SAMA said. "High levels of foreign reserves and a low level of public debt means that there is ample fiscal space to counter an economic downturn."

Eng. Khalid Al-Falih, Saudi Arabia's minister of energy, industry, and mineral resources, is also keeping a close eye on global developments that could have an impact on crude oil.

Increasing trade friction and potential barriers would certainly have a negative impact on the global economy and oil demand growth, the minister said at the OPEC-Non-OPEC Joint Ministerial Monitoring Committee in Jeddah on 3 June.

"But the direction of the negotiations (between US and China) is hard to predict. So, we intend to make our decisions based on thorough and holistic analyses," the minister said. "This includes the impact of the trade conflict on oil demand, as well as a multitude of other factors."

Barring external shocks, all indicators suggest the Saudi economy should gain momentum over the next 12 months.

ECONOMIC TRENDS

Diversifying its revenue streams has allowed the kingdom to attract more direct investments and counter the effects of worldwide uncertainties.

Read More...

REAL ESTATE

Demand for loans for residential properties has been strong, indicating renewed confidence in the property market.

Read More...

VISION 2030

Reforms that emphasise on opening the market up to foreign and private investors are expected to benefit the financial industry.

Read More...

POWER

Cleaner and more sustainable sources are making their way into the kingdom's power generation capacity.

Read More...

SME

The new HRDF-backed platform has offered administrative and financing support to start-ups and SMEs, as well as enabled them to bid for projects.

Read More...

CURRENCY

Concerns over the health of the global economy and the impact of a simmering trade spat have prompted major central banks to strike a dovish tone.

Read More...

BUOYANT SAUDI ECONOMY BUCKS GLOBAL TREND

Saudi Arabia's medium-term economic outlook is improving quickly, amid a strong increase in oil prices and expansion of the non-oil sector, according to the Saudi Arabian Monetary Authority (SAMA).

"For the non-oil sector, growth is expected to be stimulated by expansionary fiscal policy, as the budget for 2019 shows a significant increase in capital expenditure by SAR 245 billion," said SAMA in its Fiscal Stability report in June.

While global headwinds could clip economic growth, SAMA says the country's structural reforms will also place some pressure on economic growth in the short term. But the government has introduced some initiatives to mitigate the negative impacts, especially for low- and middle-income households.

"Overall, the Saudi economy remains quite resilient against contagion from growing uncertainty in the global economy," SAMA said. "High levels of foreign reserves and a low level of public debt mean that there is ample fiscal space to counter an economic downturn. This being said, in the longer term it is vital that initiatives to strengthen and diversify the Saudi economy continue in line with the economic aspirations of Vision 2030."

Saudi Arabia's fiscal situation also remains strong after stress test undertaken by SAMA show that Saudi banks can easily withstand various economic shock scenarios.

"The stress test results using all three stress scenarios suggest that the banking sector will remain well capitalised under large shocks," SAMA noted. "Banks' capital adequacy ratios are still comfortably above the Basel requirement of 8% and above SAMA's threshold of 12% of a minimum CAR (capital adequacy ratio) requirement."

The central bank also believes bank assets will likely grow as the kingdom's fiscal policy rolls out, private sector activity rebounds and oil prices pick up.

"Claims remains the main source of asset growth, but there was also a positive contribution of private claims after sequential contractions since the fourth quarter of 2016," SAMA said. "The increase in private sector claims is in line with the market expectations as government stimulus packages start to unfold and are expected to further increase in 2019."

SENTIMENT IMPROVES

Purchasing managers index (PMI) is also showing signs of rapid improvement in economic activity, climbing to a 17-month high of 57.3 in May, according to Markit.

Output across the non-oil private sector rose sharply and the most since December 2017, buoyed by stronger underlying demand conditions according to reports from surveyed businesses.

"Inflows of new business likewise increased steeply, with the rate of growth reaccelerating and running at one of the fastest seen over the past four years. This partly reflected a further pick-up in export orders, which rose at the quickest pace since February 2017," Markit said in its latest survey of the kingdom's business sentiment.

Firms across the non-oil private sector scaled up their purchasing activity in May to support increased output requirements. Growth in buying levels reached the strongest since late-2017 as a number of firms looked to bolster stock levels amid expectations of higher demand, partly due to the Ramadan season.

Saudi Arabia's reform agenda is expected to continue as Saudi Vison 2030 takes shape and the various ministries and agencies look to meet their 2020 National Transformation Plan goals.

COMPETITIVE ECONOMY

The country's reform agenda has been recognised by leading think tanks. In May, Swiss-based IMD World Competitiveness Center ranked Saudi Arabia as one of the most improved economies this year in its latest IMD World Competitiveness Ranking.
The kingdom jumped 13 spots to become this year's 26th most competitive economy in the world out of 63 nations. The country fared better than emerging market peers Indonesia, India, South Africa and Russia.

Saudi Arabia registered the highest global ranking for investment in education and fared well in public and business finance, according to the survey.

In order to rise up the rankings, IMD recommended the government continues its efforts in boosting non-oil sectors to diversify public revenues and increase non-oil GDP, develop human capital and increase labour participation rates for the Saudi male and female youth through implementation of the Human Capability Development Program.

"Continue reforms to restructure and streamline procedures and fees for licensing activities by adopting international best practices to enhance the business environment," was another recommendation.

SABB ساب

HOME BUYERS DRIVE Q1 MORTGAGE APPLICATIONS IN SAUDI

More and more Saudis are coming closer to their dreams of owning a house as new residential mortgages for individuals, offered by banks and financial services companies, jumped more than three times in the first quarter of 2019 compared to the same period last year, according to the Saudi Arabian Monetary Authority (SAMA).

Contracts for residential mortgage for individuals, during the quarter reached 31,462 with value at SAR 15 billion.

"The performance of real estate loans for individuals during the first quarter of 2019 has achieved a new upward trend. The total amount of financing in the first quarter is near to what has been offered in 2017," SAMA said.

"It is also equal to the number of contracts achieved in the first three quarters of 2018. This quarter is almost three times the number of contracts in the first quarter of 2018, and more than the double of the amount of funding for the same quarter of last year."

The number of new residential mortgage contracts offered by commercial banks and finance companies reached 12,148 in March 2019, registering a growth rate of 206% compared to March 2018. The total value of contracts reached SAR 5.5 billion, an increase of 114%, year on year.

Similarly, the number of contracts subsidised by the government, through the housing support programmes provided by the Ministry of Housing and the Real Estate Development Fund, stood at 10,364 contracts valued at SAR 4.4 billion in March 2019, compared to SAR 3.6 billion in February of the same year.

ROBUST REAL ESTATE FINANCING

The Ministry of Housing also recently launched a programme that provides housing options for citizens, including facilitating finance, in a bid to raise housing ownership rate to 70% by 2030.

The new figures outperformed last year's, when real estate financing grew by 10% to reach SAR 16.1 billion. Real estate and non-real estate accounted for 34% and 66%, respectively, of total finance companies credit, according to SAMA's Financial Stability Report.

The figures may climb further as the kingdom's Council of Ministers approved in May the creation of a residency permit scheme for qualified international expatriates as part of an effort to attract global entrepreneurs, innovators and investors.

"Our aim is to attract innovators from across the world to live and work in Saudi Arabia – and this reform will play a significant role in doing so," said Ibrahim Al Omar, governor of the Saudi Arabian General Investment Authority (SAGIA). "These investors and entrepreneurs will help to drive the private sector growth, which is needed to realise the ambitious goals set out in Saudi Vision 2030."

The residency permit will enable international expatriates in Saudi Arabia to gain access to a range of privileges alongside their residency, including allocating visas for their families and enabling them to own real estate in the kingdom, according to SAGIA.
There will be two separate forms of the programme, one acting as a permanent residence permit, and another that is renewable on an annual basis.

DEMAND FOR HOUSING TO RISE

Saudi real estate price index declined 4.9% in the first quarter, compared to the same period last year, according to the Saudi General Authority for Statistics. Residential villa prices fell 4.6%, and apartments dropped 2.7%, while the value of commercial plots were down 3.1%.

Management consultancy KPMG noted that despite the current slowdown in Riyadh, and subdued performance during the last couple of years, the demand for housing units is continuously increasing, mainly driven by a large and growing population, coupled with increasing urbanisation and declining household size.

"It is critical to note that the demand is mainly increasing for the affordable housing segment, whereas the supply is predominantly rising in the luxury or high-end segment," KPMG said in a report.

"Hence, there exists a mismatch among the residential segment, as the demand is not being catered by offering more affordable housing units. Therefore, the MoH (Ministry of Housing) is targeting to bridge this gap through the development of more affordable housing projects."

Jeddah and the surrounding area also offer similar growth dynamics, said KPMG, noting that the semi-gated complexes such as J One and Diyar Al Salam Residence are gaining favour among tenants and would-be home owners. They are currently enjoying healthy occupancy rates.

"We further expect the delivery of such developments in the short to medium term," KPMG added.

THOMSON REUTERS™

FINANCE SECTOR PROJECTS MAKE HUGE STRIDES

The Saudi government implemented a key piece of reform as part of its effort to broaden foreign investment in the country when the Saudi Stock Exchange (Tadawul) and MSCI Inc. announced the launch of the tradeable MSCI Tadawul Index 30 (MT30).

The index initially includes Saudi Arabia's 30 largest securities based on free float market capitalisation, screened for liquidity and international investability. It will be rebalanced four times a year and the number of securities in the index may vary within a range of 25 to 35.

The index will serve as a benchmark of the largest liquid companies in Saudi Arabia, becoming the basis for the development of an index futures contract to be listed on Tadawul. The index can be licensed for other index-linked financial instruments including, mutual funds, derivatives, and exchange-traded products.

Foreign investor ownership in Saudi stocks rose in Q1 2019, to 5.3% in March 2019 from 4.7% in December 2018.

"This reflects the attractiveness of the Saudi financial market and affirms growing investor confidence in the economy," according to the first quarter assessment by the Financial Sector Development Programme, which is part of the overarching Vision 2030 initiative that aims to transform the economy.

FSDP is one of the key pillars of the Vision 2030, that also includes 12 other planks such as the National Industrial Development and Logistics Vision Realization Programme, Quality of Life Programme, and Privatisation Programme.

NEW DEVELOPMENTS

Another major development is ensuring the government is fiscally prepared to fund the projects worth billions of dollars in the Vision 2030 programme. In March, The Debt Management Office (DMO) at the Ministry of Finance said they had completed the first 15-year public issuance in the kingdom's history, adding three maturity years from the previous month's issuance, and five years compared to 2018.

The 15-year issuance represents a new benchmark for potential government and private sector issuers to enable them to price off the government's extended yield curve, in addition to creating demand in the market (alongside the conventional bank lending) for these tenors.

This will translate into a new source of financing, especially during the transformation that the Saudi economy is undergoing, which could be used to support financing for long-term projects, such as infrastructure and mortgage.

Other new developments this year include the launch of Apple Pay, which will allow users to easily transact through iOS smartphones, increase payment options for users in Saudi Arabia and provide more digital solutions that facilitate payments and purchases.

Saudi Arabia and the United Arab Emirates also launched the digital currency project "Aber" for use in financial settlements between the two countries through blockchain and distributed ledgers technologies.

"All these achievements are in line with the Financial Sector Development Program to enable financial institutions to support private sector growth and meet the objectives of Vision 2030," the Ministry of Finance said.

In March, the government announced four major projects in Riyadh as part of Saudi Vision 2030 initiative's Quality of Life Program that aims to make the kingdom a top living destination for both Saudi citizens and residents.

The Quality of Life programme is focused on upgrading the country's healthcare, housing, and transportation, apart from creating opportunities to pursue heritage, culture and arts, social engagement, sports, entertainment and recreational activities.

Four projects – King Salman Park, Sports Boulevard, Green Riyadh and Riyadh Art – aim to upgrade living standards, create leisure and fitness spaces, public parks and museums, and other attractions for residents and tourists alike.

INTERNATIONAL PRAISE

The spate of 2030 projects and initiatives have been praised by international institutions, especially the International Monetary Fund, which noted that "economic reforms have started to yield positive results."

"Important reforms have been implemented to strengthen the budget process, develop a medium-term fiscal framework, introduce an online expenditure management system (Etimad), strengthen fiscal analysis, and increase publicly available information on the budget," the IMF said in its report on the country in May.

In addition, the fund has lauded the government's efforts to strengthen the legal framework and reduce constraints to business.

"The bankruptcy and commercial pledge laws fill important gaps in the legal infrastructure, while efforts to streamline procedures for starting a business and clearing containers through ports should support business formation and trade," said the IMF.

The fund has also recommended that the foreign direct investment FDI licensing requirements be reviewed as planned and the privatisation and PPP programmes, which are now starting to see transactions, accelerated.

RENEWABLES MAKE HEADWAY IN SAUDI'S ENERGY MIX

In the space of a few years, Saudi Arabia has managed to jump-start its renewable energy sector with 89 megawatts (MW) of photovoltaic installed capacity, 50 MW of concentrated solar power (CSP) systems, and 3 MW of wind capacity, taking its overall inventory to 142 MW, the second highest in the region.

But the pace of installed capacity will have to be accelerated if the kingdom is able to meet growing demand, which is expected to grow to 135GW by 2030.

"Peak electricity load in Saudi Arabia in 2015, for instance, was 10% higher than in 2014; the 2020 level is expected to be nearly a third greater than that of 2014," said International Renewable Energy Agency in a new report. "By 2032, it will have doubled. As demand rises, the need for new power sector infrastructure grows apace."

According to IRENA's estimates, Saudi Arabia is projected to require additional investment in the power sector of at least SAR500 billion until the mid-2020s in order to ensure security of supply.

According to the King Abdullah Petroleum Studies and Research Centre Saudi Arabia has over 82 GW of power-only capacity installed, with gas turbines accounting for nearly half, and steam turbines and combined cycle units making up the remainder. In addition, a significant amount of thermal desalination capacity (9.4 GW) exists in the country's three regions adjacent to the Red Sea and the Arabian Gulf, with combined capacity to desalinate over 6.2 million cubic metres per day.

The Saudi Electricity Company will be called upon to play a crucial role as Saudi Arabia unveils its ambitious policy of adding 3.45 gigawatts of primarily renewable electricity by 2020, a figure that will rise to 9.5GW by 2023. The kingdom aims to source 30% of its electricity generation from renewables.

The SEC is currently working on implementing an integrated plan to separate its main activities into independent companies and to develop internal selling prices, according to the company's first-quarter earnings report.

The company invested SAR5.2 billion in capital projects during the first three months of 2019, which has boosted its assets, SEC said.

During the first quarter of the year, SEC's asset base had grown 0.4% to SAR466.6 billion, compared to SAR464.6 billion during the same period last year, with shareholders' equity declining 2.2% to SAR 72.1 billion (2018 end: SAR 73.7 billion).

Electricity sales reached SAR9.8 billion during the quarter, a 3.7% drop from the same period last year, although revenues from electricity connection tariffs rose 16.4% and transmission system revenues jumped 12.9%

Other operating revenues also rose 539.4% year-on-year, driven by higher revenues for reconnecting customers, higher fibre optic lease revenues, and revenues from project supervision services and a one-off penalty charge related to a violation for surpassing agreed consumption limits by an industrial consumer.

ENERGY EFFICIENCY

Part of reforming the power industry also means rationalizing consumption and conserving precious resources to cut costs and create value.

To that end, The Saudi Energy Efficiency Centre was set up as a national program to rationalize energy and enhance energy efficiency and develop policies, regulations and rules and support implementation, is also playing a key role in conserving energy.

SEEC has focused on the industrial sector, which consumes 44% of energy consumed in the country, buildings segment that consume 29%, and transportation sector that accounts for 21% of all consumption in the kingdom. Together these three segments consume 4.5 million barrels of oil equivalent per day, and the government is hoping to rein in the costly expenditure through a mix of energy efficiency, and adding more energy sources such as wind and solar into the mix.

The SEEC has already notched up successes such as pushing the use of highly-efficient air-conditioners that has improved energy efficiency by 57% over the past six years, according to a presentation by the SEEC. Other achievements include launching building codes to ensure energy efficiency, and developing the next phase of the Saudi Corporate Average Fuel Economy (CAFÉ) standard for light duty vehicle

The government has also managed to curb surging power demand by cutting energy subsidies that had also been a drag on finances. The International Monetary Fund estimates that fiscal revenues from the 2018 electricity and gasoline price increases are estimated at about SAR30 billion.

"Going forward, fiscal revenues from increasing domestic energy prices to their reference prices are estimated to reach SAR112 billion by 2023 (these revenues are additional to the revenues already being received from the domestic sale of energy products)," the IMF said. "Households contribute the most at the beginning of the reform period, while non-households are expected to bear most of the reform's cost starting in 2020 and contribute two thirds of the fiscal savings by 2023."

FORSAH GIVES SAUDI ENTREPRENEURS MUCH-NEEDED BOOST

Saudis are eager to try their hand at entrepreneurship and keen to go out on their own in their careers, according to the findings of a new report.

The Human Resources Development Fund (HRDF) recently reported that 140,000 people have registered in an e-services programme for entrepreneurs and small and medium enterprises (SMEs), as part of its 9/10th programme.

The 9/10th programme, which was launched in August 2016, offers online platforms to transform the kingdom's work culture by promoting and supporting entrepreneurship and SMEs, while helping to create new jobs in innovative ways.

"Services provided by the online platforms are an interactive guide for entrepreneurs at all stages of their start-up projects, financing solutions that serve viable enterprises, services and applications for managing, developing, and operating SMEs, and data and information that help entrepreneurs and enterprises in making important business decisions," HRDF said.

The programme is part of HRDF's Vision 2030 reform plan and the National Transformation Program 2020. Saudi SMEs account for only 20% of the kingdom's gross domestic product (GDP), compared to 70% contributed by small enterprises in developed economies.

HRDF's broad mandate is to create an ecosystem that nurtures human talent, and realise participants' potential to either become an entrepreneur or get hired in the private sector.

FORSAH.SA

HRDF also announced that 7,500 SMEs have joined Forsah.sa, a portal that enables entrepreneurs and small businesses to bid on an estimated SAR 381 million worth of projects – of which SAR 72 million has been approved to purchase services.

The portal also connects buyers and vendors across the kingdom and allows buyers to submit their purchase requests online, on which approved SMEs can bid.

Employers and individuals with technical specialties or other fields have been encouraged by HRDF to register with the Forsah platform.

"The portal offers a number of platforms including Tojjar, APPWEB, Forsah, Bahr, Kanaf, ATWAR, ZADD and EMADAD with the aim of changing the work culture among individuals and the society through

encouraging and supporting entrepreneurship and SMEs, as well as enabling entrepreneurs to create jobs from those start-ups," HRDF said.

Additionally, the fund also offers an interactive guide that helps entrepreneurs throughout their growth phases from inception to delivery as lucrative enterprises can explore financing options that help them grow their business.

Moreover, HRDF provides services and applications that help SMEs to run, develop and operate their enterprises, as well as providing data to assist them in their decision-making.
The program also provides start-up accelerator services that aim to enhance business ideas and provide guidance, mentorship and consultancy to bring their ideas to fruition.

CREDIT FACILITIES

Credit facilities to the micro, small and medium enterprises saw a 6.2% increase in the first quarter to reach SAR 113.2 billion, its highest growth rate in at least five quarters, according to latest available data from the Saudi Arabian Monetary Authority (SAMA).

Credit facilities provided by banks to medium enterprises grew 5.91%to reach SAR 79.1 billion, while credit to small enterprises saw a 3% increase to SAR 22.9 billion. Only micro enterprises saw a 22.5% contraction to SAR 2.86 billion.

Credit facilities by finance companies surged 17.1% during the quarter, compared to the previous period to reach SAR 8.1 billion.

SOWING SEEDS OF SUCCESS

On the start-up front, Red Sea Farms, an agriculture technology spinoff company from KAUST specialising in saltwater greenhouse technology, secured USD 1.9 million of co-investment from the KAUST Innovation Fund and Research Products Development Company (RPDC).

Red Sea Farms aims to solve the food security needs of the region, combining engineering and plant science to grow saltwater-tolerant crops in greenhouses cooled using saltwater. In Red Farm's saltwater greenhouse, 80% to 90% of freshwater is substituted with saltwater, reducing fresh water and energy requirements tenfold.

"The Middle East is one of the most water scarce regions of the world. Here, we often rely on unsustainable sources of water for irrigation, such as groundwater, which is being rapidly depleted, or desalinated water," according to Mark Tester, Red Sea Farms co-founder and KAUST Professor of Plant Science.

"Desalinated water requires large amounts of energy to produce, which is costly – at least USD 1 for every cubic metre, and [this] has a high environmental impact."

SABB ساب

CENTRALS BANKS TWEAK QE TO HELP PUSH UP MARKETS

Central bankers are back in the limelight as investors eye quantitative easing to prolong the market rally.

The Reserve Bank of Australia (RBA) was the first major bank to cut its rate by 25 basis points (bps) to 1.25% – its first easing since August 2016 after a similar campaign that stretched back to late 2011.

RBA Governor Philip Lowe noted that "it is not unreasonable to expect a lower cash rate" in the future, as the Australian dollar fell 0.82% against the US dollar in the first five months of 2019.

Days later, the Reserve Bank of India (RBI) cut both its repurchase rate and reverse repurchase rate also by 25 bps to 5.75% and 5.50%, respectively, while leaving its cash reserve ratio unchanged at 4.0%. It is the third consecutive interest rate cut since Shaktikanta Das assumed position as RBI governor last year. The Indian rupee has strengthened 0.5% against the US dollar in May.

TRADE WAR BITES

The US economy remains strong and unemployment has fallen, but economists are worried about a prolonged trade war with China.

The US also threatened to derail a new version of the North American Free Trade Agreement (NAFTA) with Canada and Mexico over immigration issues on the US-Mexico border, but has now come to a deal.

The NAFTA deal has yet to be ratified by all three countries, but is already rattling their currencies. The Mexican peso fell 2.5% against the US dollar in May, while the Canadian dollar was down 0.37% during the same period.

"The risk is that the most recent US-China tariffs could further reduce investment, productivity, and growth," said Christine Lagarde, director general of the International Monetary Fund (IMF), in June.

"Indeed, there is strong evidence that the United States, China, and the world economy are the losers from the current trade tensions," Lagarde said. "We estimate that the recently announced and envisaged US-China tariffs could subtract about 0.3% from global GDP in 2020, with more than half of the impact stemming from business confidence effects and negative financial market sentiment."

With Chinese data expected to worsen on the back of the trade tensions, the government is gradually rolling out measures to help the economy. In early June, the government said it would allow local government special bonds to be used as equity capital for some national projects.

FOREX PERFORMANCE

Meanwhile, the People's Bank of China has applied a stronger-than-expected countercyclical factor in the USD/CNY exchange rate, fixing it at 6.8930 versus expectations of above 6.90, and noted that it will issue bills in Hong Kong later this month to withdraw liquidity. Offshore Chinese yuan fell 2.7% against the greenback in May.

While, the European Central Bank kept key interest rates unchanged in June, it changed its forward guidance slightly, saying in its accompanying press release, that the governing council "now expects the key ECB interest rates to remain at their present levels at least through the first half of 2020".

The six-month delay follows the three-month deferral announced in March. The announcement hardly surprised financial markets, though, as most are actually pricing in a rate cut as the next ECB move.

The euro is down 2.72% against the US dollar in the first five months of the year.

Investor confidence in the Eurozone has also tumbled as its economic outlook is again being threatened by increased trade tensions. The Sentix headline index dropped markedly in June to-3.3 from 5.3 in May, marking a halt to the recovery in confidence seen in recent months. Sentiment regarding the current situation has deteriorated slightly, but expectations plunged the most since mid-2016.

The Bank of Japan (BoJ) also aims to maintain current short- and long-term interest rates "at least until spring". It has adopted measures to improve operational sustainability of its current policy framework. The BoJ's own forecasts show inflation falling short of target even in fiscal year 2021. Meanwhile, the Japanese yen has gained 1.26% against the US dollar this year, given its status as a safe haven currency.

The British pound remains rudderless, down 0.5% against the US dollar as the United Kingdom looks for a new prime minister and addresses the key challenges of Brexit.

THOMSON REUTERS™

DISCLAIMER

SABB ساب

PLEASE READ CAREFULLY THE FOLLOWING TERMS AND CONDITIONS OF ACCESS AND USING THIS PUBLICATION:

Your access to this publication shall be considered an acceptance to these terms and conditions and it is SABB's right at any time to modify, amend, delete or add contents to the publication and disclaimer. A notification to this effect shall be effective immediately and will constitute an acceptance from your end. It is SABB-to the best of its knowledge- belief that the information in this publication is accurate and true but without any responsibility on SABB and no warranty for any presentation or acceptance or responsibility of what so ever nature whether for damages or loss will be the liability of SABB.

The publication is for information use only, and is not to initiate or complete transactions.

SABB does not guarantee the accuracy of such information and the contents of the publication and will not be considered solicitation or offers pertaining to any transactions, investment, or securities.

The content of the publication shall not be considered as legal advice, tax advice, accounting advice, or investment advice.

The publication is not intended for use or distribution in countries where such use is prohibited or against the law or regulation.

SABB directors, employees, officers, suppliers, representatives, agents, successors, assignees, shall not be liable directly or indirectly to you or any other person for any errors, omissions, or inaccuracies from the publication.

SABB or its directors, officers, employees shall under no circumstances be held liable for direct or indirect damages arising from the use of the publication. You should independently check the accuracy of the information provided in the publication by obtaining consultation and professional advice from professionals or experts.

All proprietary and copyrights rights are reserved, and you agree that you shall not make any copy or make any use of the content of the publication unless permitted by SABB in writing.

You also acknowledge that you shall not use the intellectual property rights, or names of the individuals or contributors for any purpose and that the publication will be used only for non-commercial use.

You acknowledge that you shall not use any of the trade names, logos, copyrights, trademarks, trade secrets, nor distribute any information except otherwise provided and agreed by SABB.

You agree to indemnify SABB and hold its directors, officers, employees, and agents harmless against any claims arising or in connection with its publication for any unauthorized use of the data or breach of an acknowledgement or agreement made as a result for receiving such publication.

The content of this publication ("Service") is provided by Thomson Reuters (Markets) Middle East Limited ("We" or "Us" or "TR") to be published by the Saudi British Bank ("SABB") exclusively. Neither We nor our affiliates guarantee the accuracy of or endorse the views or opinions given by any third party content provider, advertiser, sponsor or other user. We may link to, reference, or promote websites, applications and/or services from third parties. You agree that we are not responsible for, and do not control such non-TR websites, applications or services.

The Service and Content are provided for informational purposes only. You understand and agree that the Service does not recommend any security, financial product or instrument, nor does mention of a particular security on the Service constitute a recommendation for you to buy, sell, or hold that or any other security, financial product or investment. The Service does not provide tax, legal or investment advice or opinion regarding the suitability, value or profitability of any particular security, portfolio or investment strategy. Neither We nor our affiliates shall be liable for any errors, inaccuracies or delays in the Service or any Content, or for any actions taken by you in reliance thereon. You expressly agree that your use of the Service and the Content is at your sole risk.

YOU AGREE THAT YOUR ACCESS TO AND USE OF THE SERVICE AND ANY CONTENT, COMPONENT OR FEATURE AVAILABLE THROUGH THE SERVICE IS ON AN "AS IS" AND "AS AVAILABLE" BASIS. TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, WE EXPRESSLY DISCLAIM ANY REPRESENTATION OR WARRANTIES, EXPRESS OR IMPLIED, INCLUDING WITHOUT LIMITATION ANY REPRESENTATIONS OR WARRANTIES OF PERFORMANCE, MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, ACCURACY, COMPLETENESS, RELIABILITY AND NON-INFRINGEMENT. TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, WE AND OUR AFFILIATES DISCLAIM ALL RESPONSIBILITY FOR ANY LOSS, INJURY CLAIM, LIABILITY, OR DAMAGE OF ANY KIND RESULTING FROM OR RELATED TO ACCESS, USE OR THE UNAVAILBILITY OF THE SERVICE (OR ANY PART THEREOF).

TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, THOMSON REUTERS, ITS PARENT COMPANY, ITS SUBSIDIARIES, ITS AFFILIATES AND THEIR RESPECTIVE SHAREHOLDERS, DIRECTORS, OFFICERS, EMPLOYEES, AGENTS, ADVERTISERS, CONTENT PROVIDERS AND LICENSORS (COLLECTIVELY, THE "REUTERS PARTIES") WILL NOT BE LIABLE (JOINTLY OR SEVERALLY) TO YOU FOR ANY DIRECT, INDIRECT, CONSEQUESTIAL, SPECIAL, INCIDENTAL, PUNITIVE OR EXEMPLARY DAMAGES, INCLUDING WITHOUT LIMITATION, LOST PROFITS, LOST SAVINGS AND LOST REVENUES, WHETHER IN NEGLIGENCE, TORT, CONTRACT OR ANY OTHER THEORY OF LIABILITY, EVEN IF THE TR PARTIES HAVE BEEN ADVISED OF THE POSSIBILITY OR COULD HAVE FORESEEN ANY SUCH DAMAGES.

THOMSON REUTERS™