



بنك الإمارات دبي الوطني
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Saudi Arabia: Foreign reserves stabilise in June

Net foreign assets rise for the first time in 13 months

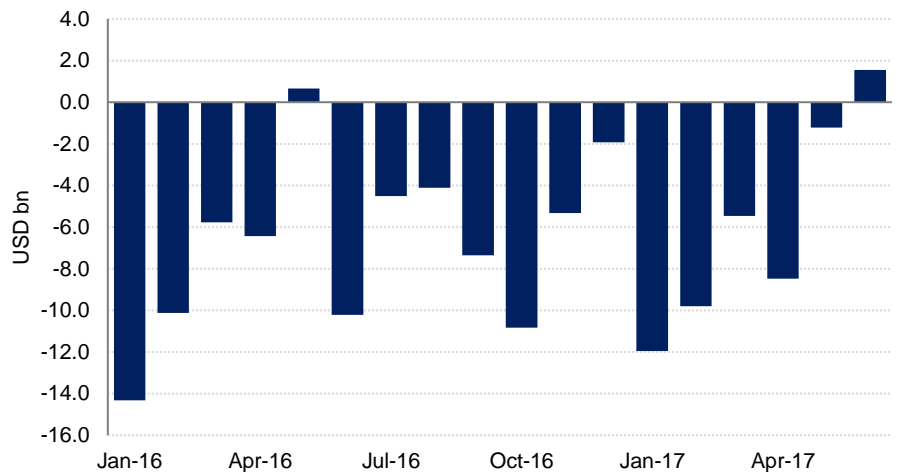
SAMA's net foreign assets (NFAs) increased by USD 1.6bn in June, to reach USD 493.3bn. However, year-to-date, NFAs have declined –USD 35.4bn, or an average of nearly USD 6bn per month.

The first quarter balance of payments data show that the current account recorded a surplus of USD 6.2bn, up from a deficit of –USD 20.3bn in Q1 2016 and –USD 2.3bn in Q4 2016. This reflects the positive impact of higher oil prices in Q1 2017 on export revenues. However, there was a significant net outflow of funds on the financial account (USD 18.4bn), in the 'other investment' component, largely due to the purchase of foreign currency & deposits abroad.

There was also a substantial outflow (USD 14.9bn) under 'net errors and omissions' in Q1 2017, which is often considered a measure of capital flight as these transactions are not recorded in any of the other components of the balance of payments. Effectively, unrecorded transactions accounted for nearly 55% of the decline in reserve assets in Q1 2017.

The rate of decline in net foreign assets has slowed sharply in Q2, suggesting that outflows on the financial account (and unrecorded transactions) have eased in recent weeks, as the current account surplus has probably narrowed. Q2 balance of payments data is not yet available.

Monthly change in SAMA's net foreign assets



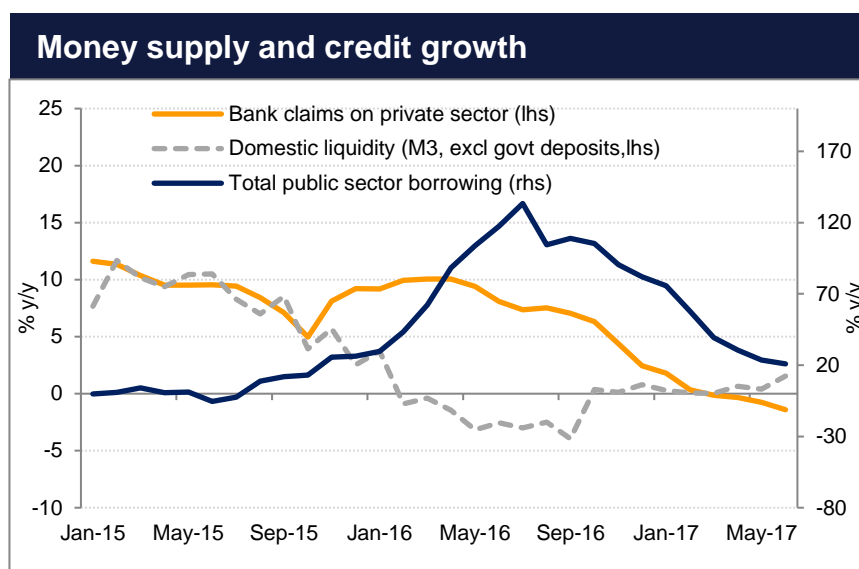
Source: Haver Analytics, Emirates NBD Research

Money supply growth improves, private sector credit shrinks further

Broad money supply growth (excluding government deposits) rose 1.8% m/m and 1.5% y/y in June, the fastest annual rate of growth since January 2016. The rise in June was due to higher quasi money with time and savings deposits up 5.1% m/m and FX deposits surging 17.8% m/m.

Commercial banks' deposit data show total bank deposits up 2.3% m/m and 2.7% y/y in June. In the first half of 2017, government deposits at commercial banks rose by more than SAR 42bn, while business & individual deposits declined -SAR 22.8bn.

Private sector credit contracted -0.2% m/m in June. On an annual basis, private sector credit has declined for four consecutive months, reaching -1.4% y/y in June. Public sector credit growth has slowed sharply as the government did not issue domestic bonds in H1 2017. However, public sector credit growth is likely to accelerate in July as the authorities have established a domestic sukuk program, with the first issuance raising SAR 17bn on 26 July.



Source: Haver Analytics, Emirates NBD Research

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