

Saudi Arabia  
Deutsche Bank  
Markets Research  
Middle East  
Saudi Arabia  
Strategy  
Saudi Arabia  
Date

29 March 2018  
Strategy Update

Saudi Arabia included in FTSE  
Secondary EM Index

Saudi Arabia expected to weigh ~3% in the index, inflows of up to ~USD4.5bn expected

FTSE announced that Saudi Arabia would be promoted to Secondary Emerging market status in five tranches, from Mar-2019 to Dec-2019. It expects Saudi Arabia to have an index weight within FTSE GEIS of 0.25% and 2.7% within the FTSE Emerging index. Saudi Arabia could be the 10th largest constituent on

the EM Index with an expected weightage of 3% as per the data suggested by FTSE Emerging Saudi Arabia Inclusion Index; at current market prices this could

translate into USD4.5bn of inflows into the Saudi Equity market. The FTSE Saudi

Arabia All Cap Index has 79 constituents and the large cap stocks are likely to attract bulk of the expected inflows; we estimate Sabic could attract some USD727m in inflows; Al Rajhi USD504m, NCB USD385m.

Figure 1: FTSE Saudi Arabia stocks : potential flows of USD4.5bn

Constituent

Sector

Saudi Basic Industries Corp  
Saudi Telecom Co  
Samba Financial Group  
Saudi Arabian Mining Co-Maaden  
Almarai Co Ltd  
Riyad Bank  
Saudi Electricity Co  
Alinma Bank  
Others

Total

Source: Deutsche Bank, FTSE, Bloomberg Finance LP

Chemicals

Al Rajhi Banking & Investment Corp Banks

National Commercial Bank SJSC

Banks

Telecommunications

Banks

Mining

Food Producers

Banks

Electricity

Banks

Marketcap

(USD bn)

94

33

35

45

15

17

15

11

23

8

213

Net marketcap

(USD bn)

23

16

12

8

7

6

6

5

4

4

53

Expected FTSE

EM weight

0.48%

0.34%

0.26%

0.16%

0.15%

0.12%

0.12%

0.11%

0.09%

0.08%

1.10%

Funds flow

(USD m)

727

504

385

239

222

186

180

170

137

126

1,654

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ARE LOCATED IN APPENDIX 1. MCI (P) 083/04/2017.

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Figure 2: Expected weight of Saudi Arabia on the FTSE Secondary EM index

28.0%

10.0%

15.0%

20.0%

25.0%

30.0%

0.0%

5.0%

China Taiwan India Brazil South

Africa

Source: Deutsche Bank, FTSE, Bloomberg Finance LP

13.3%

11.3%

9.1%

7.9%

4.3% 4.3%

3.5% 3.2% 3.0%

Russia Mexico Thailand Malaysia Saudi

Arabia

Others

12.1%

FTSE inclusion done; MSCI EM decision to be announced in June

Saudi Arabia is also nominated for inclusion in the widely tracked MSCI EM Index,

with a decision on inclusion to be announced in June '18. A favorable decision

could translate into some USD39bn in inflows, with actual inclusion expected for June '19. For more details on Saudi inclusion into MSCI EM please refer our

strategy report dated 20-Feb-18. It is interesting to observe that Saudi Arabia

has already witnessed foreign fund inflows of USD619m in Jan'18 - the highest inflows on record - followed by USD364m in Feb'18. The inclusion by FTSE and the impending decision by MSCI could mark the start of a sustained period of higher inflows into Saudi equities, in our view.

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Appendix 1

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