



U.S.-Saudi Business Council
مجلس الأعمال السعودي الأمريكي

Weekly Market Brief
Week Ending April 8, 2022

SAUDI ARABIAN MARKET

Saudi Arabia Macroeconomic Developments

- Saudi Arabia's non-oil economy continued to grow strongly in March with new orders rising at the fastest pace since December 2017. S&P Global's (formerly IHS Markit) Purchasing Managers' Index (PMI) reached 56.8 points in March, rising from 56.2 points in February and remaining well above the 50-point mark separating growth from contraction. New business and activity rose sharply as client demand improved while supplier delivery times improved.
- Saudi Arabia's reserve assets slipped by 1.2 percent MoM in February to a total of SAR1.655 trillion (\$441.5 billion), according to the Saudi Central Bank (SAMA). The drawdown was primarily due to a 3.9 percent reduction in foreign currency and deposits abroad. The Kingdom's total reserve assets remain roughly unchanged from this time last year, but with a moderate rebalancing towards IMF reserves and away from foreign currency and deposits abroad.
- New residential mortgage financing slowed sharply by 28 percent MoM (-38 percent YoY) in February, according to SAMA. Banks added SAR8.8 billion (\$2.3 billion) in new mortgage financing across houses, apartments, and land.

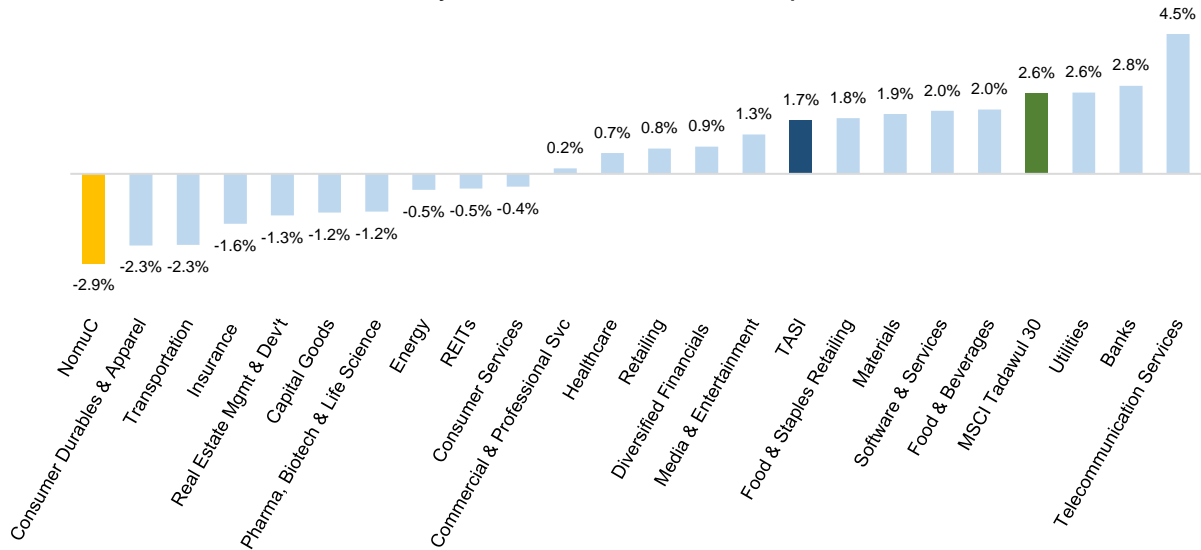


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Tadawul

The TASI rose 1.7 percent last week and closed at 13,314 points. ‘Telecommunication Services’ led other sectors with a 4.5 percent gain followed by ‘Banks’ and ‘Utilities,’ which rose 2.8 percent and 2.6 percent, respectively. ‘Consumer Durables & Apparel’ led losses, declining 2.3 percent. The NomuC parallel market index fell 2.9 percent while the MSCI Tadawul 30 gained 2.6 percent and closed the week at 1,888 points.

Tadawul Weekly Index Performance - April 8, 2022



Source: Tadawul, USSBC

- Saudi Home Loans raised SAR1.6 billion (\$423 million) from retail investors in its initial public offering (IPO) on the Saudi stock exchange. The Riyadh-based firm saw retail demand that was more than 2,600 percent subscribed, according to a Tadawul filing. The company will float 30 percent of its capital on the Saudi exchange.



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Business, Trade, & Investment

- Lockheed Martin was awarded two contracts totaling SAR17.6 billion (\$4.7 billion) to manufacture radar and air defense systems for the U.S. and allied nations. One of the contracts involves the production of Terminal High Altitude Area Defense (THAAD) interceptors and associated devices for the U.S. military and Saudi Arabia.
- Saudi Arabian Military Industries (SAMI) signed an agreement with Boeing to form a joint venture aimed at scaling its maintenance, repair, and overhaul (MRO) services for the aviation sector.
- North Carolina-based Celeros Flow Technology signed an agreement with Alkhorayef Petroleum Co. for its ClydeUnion pumps to be manufactured locally in Saudi Arabia. The agreement is in line with Saudi Arabia's strategy that prioritizes localization of international business supply chains to support technology transfer and local employment.
- Saudi Arabia's Public Transport Authority announced a ban on the importation of trucks older than five years. It applies to all heavy transport trucks including trailer, semi-trailers, and locomotives. The ban will begin on May 5.
- China's Sepco3 will undertake the engineering, procurement, and construction (EPC) contract for Saudi Arabia's 700MW Al-Rass solar photovoltaic project in Qassim Province. The solar IPP project is the largest tendered under the third round of the Kingdom's National Renewable Energy Program.
- The Saudi Grains Organization (SAGO) completed procedures for the importation of 625K tons of wheat from Europe, North and South America, and Australia. SAGO reported that the Kingdom has contracted the importation of 2.6 million tons of wheat so far this year.
- The Ministry of Investment is reportedly drafting a new Investment Law to enforce equal treatment of local and foreign investors. The law is aimed at supporting the principle of competitive neutrality and fairness in the treatment of direct investments made by the public and private sectors.



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Banking

Weekly money supply M1, M2, and M3 rose 1.2 percent, 0.5 percent, and 1.1 percent, respectively, during the week ending March 31.

U.S. MARKETS

U.S. Macroeconomic Developments

- Federal Reserve officials reached a consensus during their March meeting to reduce the central bank's balance sheet by \$95 billion per month likely beginning in May, according to the Federal Open Market Committee (FOMC) meeting minutes. The minutes also showed several officials preferred a 50-basis point increase in the federal funds rate, which may be implemented in future rate hikes.
- The U.S. trade deficit remained near a record high of \$89.2 billion in February, according to the Department of Commerce. Imports rose 1.3 percent MoM due in part to higher shipments of crude and other petroleum products. Exports rose 1.8 percent MoM to a record high \$228.6 billion.
- Weekly unemployment claims fell to 166K during the week ending April 2, near a 54-year low. The data follows last week's jobs report, which showed the unemployment rate fell to 3.6 percent.

Fixed Income

The yield on the ten-year U.S. Treasury rose to 2.72 percent.

Equity Markets

The Dow Jones Industrial Average (DJIA) fell 0.3 percent and finished the week at 34,721 points. The S&P 500 fell 1.3 percent and finished at 4,488 points while the NASDAQ dropped 3.9 percent and finished the week at 13,711 points.



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GLOBAL MARKETS

- Arab Light crude rose 2.3 percent and finished the week at \$105.58 after Saudi Arabia raised prices for all regions with its Asia prices hitting all-time highs. Global benchmark Brent crude meanwhile fell 1.5 percent and finished the week at \$102.78 and West Texas Intermediate (WTI) lost 1 percent and closed at \$98.26. Member nations of the International Energy Agency (IEA) announced plans to release 60 million barrels over the next six months following the U.S. decision in March to release 180 million barrels. Strict COVID lockdowns in China have also added to negative price pressures in global oil markets despite the ongoing conflict in Ukraine.
- United Arab Emirates' non-oil economy growth remained steady in March along with the rate of new business growth. S&P Global PMI was recorded at 54.8 points during March for the second month in a row, indicating continued improvement in operating conditions. At the same time, input cost inflation reached a 40-month high as prices of fuel and raw materials rose.
- China's annual inflation rate rose to 1.5 percent in March, up from 0.9 percent in February and outpacing market expectations of 1.2 percent. Producer price inflation surged 8.3 percent YoY as raw materials prices soared and some manufacturers announced production cutbacks due to COVID restrictions and supply chain issues.

THE WEEK AHEAD

- U.S. releases inflation figures for March on April 12
- Saudi Arabia releases inflation figures for March on April 14
- U.S. releases retail sales for March on April 14