



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

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Weekly Market Brief  
*Week Ending July 1, 2022*

SAUDI ARABIAN MARKET

Saudi Arabia Macroeconomic Developments

- The unemployment rate among Saudis was 10.1 percent in Q1 2022, down 1.6 percent YoY, according to the General Authority for Statistics (GASat). The overall unemployment rate dropped to 6 percent in Q1. The unemployment rate of Saudi women stood at 20.2 percent in Q1, falling by 1 percentage point from last year.
- Saudi Arabia's non-oil private sector economy continued to strengthen in June as S&P Global's PMI rose to 57 points from 55.7 points in May. The reading was the highest since October 2021, supported by rising demand and heightened business expectations. Notably, material and fuel price increases drove a 22-month high in cost pressures on private firms operating in the Kingdom.
- Foreign direct investment (FDI) into Saudi Arabia rose 9.5 percent to reach SAR7.4 billion (\$2 billion) in Q1 2022, according to the Ministry of Investment. Foreign investment flows in the Kingdom have quadrupled since the launch of Vision 2030, totaling SAR72 billion (\$19.2 billion), with the U.S. ranking as the largest sovereign investor.
- The Saudi Central Bank (SAMA) placed SAR50 billion (\$13 billion) with commercial lenders ahead of the U.S. Fed interest rate hike earlier this month, according to a Bloomberg report. Liquidity conditions as measured by the three-month Saudi Interbank Offered Rate (SAIBOR) are the tightest since late 2008. The monetary intervention is expected to ease the current liquidity crunch.
- Saudi Arabia's refining capacity rose 13.7 percent in 2021, according to a recent OPEC statistical bulletin. The Kingdom added 400K barrels per day (bpd) of refining capacity last year after launching a new facility in Jizan Province, raising overall crude refining capacity to 3.327 million bpd.

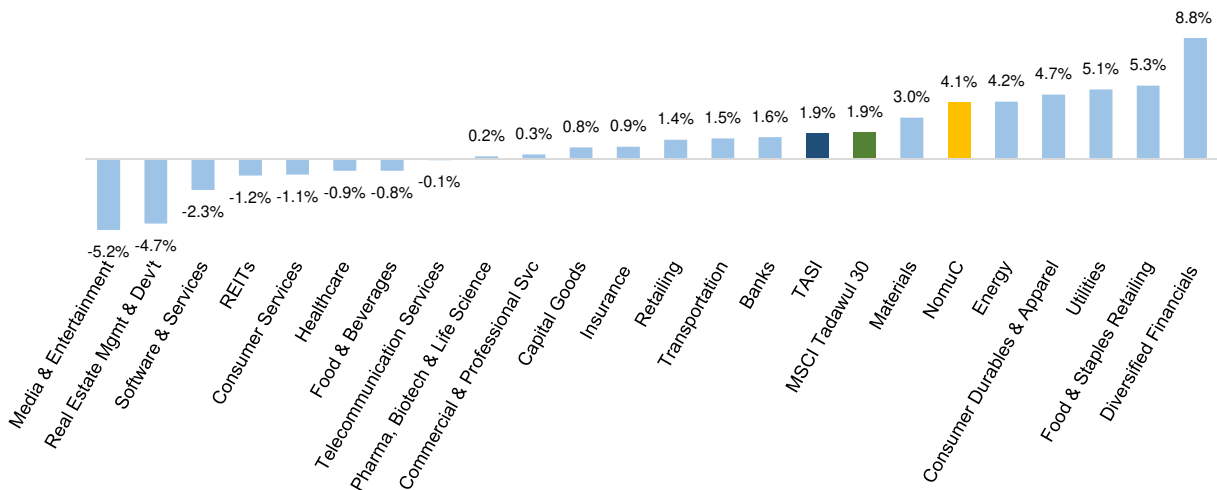


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Tadawul

The TASI rose 1.9 percent and closed at 11,524 points. Most sectors finished in positive territory, led by 'Diversified Financials,' which grew 8.8 percent. 'Food & Staples Retailing' and 'Utilities' followed with 5.3 percent and 5.1 percent gains. The NomuC parallel market index gained 4.1 percent while the MSCI Tadawul 30 increased 1.9 percent and closed the week at 1,599 points.

Tadawul Weekly Index Performance - July 1, 2022



Source: Tadawul, USSBC



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## Business, Trade, & Investment

- The Ministry of Industry and Mineral Resources (MIMR) stated industrial sector investments in Saudi Arabia reached SAR1.356 trillion (\$362 billion) in April. The Ministry issued 302 mining licenses from January-April 2022, including 26 for building materials quarries, 21 for exploration, 13 for surplus ore, and 1 license for reconnaissance.
- Saudi Arabia's Cabinet approved a new law allowing the creation of a new type of company – the Simplified Joint Stock Company – to provide support for entrepreneurship and venture capital growth. The new law regulates all provisions related to companies, whether commercial, non-profit, or professional.
- U.S.-based architecture firm SOM was awarded a design contract for the Jeddah Central Project by the Jeddah Central Development Company (JCDC), a Public Investment Fund (PIF) subsidiary. SOM previously worked on the U.S. Consulate Office in Dhahran among other projects in the Kingdom.
- Saudi venture capital firm KBW Ventures invested in Eclipse Foods, a U.S.-based producer of plant-based dairy products. The VC firm participated in the Series B funding round of more than SAR150 million (\$40 million).
- PIF announced the launch of AviLease, an aircraft leasing company focusing on scaling through purchase-and-leaseback transactions with airlines and aircraft OEMs. The company's fleet is expected to consist of new generation narrow-body and wide-body aircraft from global OEMs.
- Saudi Arabia launched a request for qualification (RFQ) for a customs zone public-private partnership that includes land ports al-Durrah, al-Haditha, Halat Ammar, al-Khafhi, al-Bat'ha, and al-Wadiyah to be implemented under a 20-year design, build, finance, maintain, and transfer model.
- Saudi Arabia approved loans and credit facilities worth SAR1.4 billion (\$373 million) from the Agricultural Development Fund to support strategic objectives in the Kingdom's agriculture sector. The loans include small farmer development loans, greenhouse vegetable production, poultry breeding, and fish farming projects.



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## Banking

Weekly money supply M1 declined 0.1 percent while M2 and M3 increased 0.1 percent and 0.2 percent, respectively, during the week ending June 23.

## U.S. MARKETS

### U.S. Macroeconomic Developments

- ISM manufacturing PMI fell to 53 points in June, the slowest growth rate since June 2020. New orders contracted for the first time in two years after the Federal Reserve raised interest rates. Employment levels also declined while business sentiment remained optimistic despite supply chain and price pressures.
- Personal income in the U.S. rose 0.5 percent MoM in May due to a rise in compensation offsetting a decline in government social benefits. Personal spending during the same period rose 0.2 percent MoM, the weakest gain so far this year. Spending on housing, international travel, and hospital services rose while spending on new vehicles and vehicle maintenance declined. Personal spending adjusted for inflation showed a 0.4 percent decline during May.
- Weekly unemployment claims decreased by 2K to reach 231K during the week ending June 25. Despite a slight elevation in recent months and higher-than-expected claims this week, the level of unemployment claims still indicates tight labor market conditions.

## Fixed Income

The yield on the ten-year U.S. Treasury declined to 2.88 percent.

## Equity Markets

The Dow Jones Industrial Average (DJIA) fell 1.3 percent and finished the week at 31,097 points. The S&P 500 declined 2.2 percent and finished at 3,825 points, while the NASDAQ fell 4.1 percent and finished the week at 11,128 points. During the month of June, DJIA fell 6.7, the S&P declined 8.4 percent, and the NASDAQ fell 8.7 percent.



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## GLOBAL MARKETS

- Arab Light crude fell 2.1 percent and finished the week at \$107.20. Global benchmark Brent crude declined 1.3 percent to \$111.63, while West Texas Intermediate (WTI) rose 0.8 percent and closed at \$108.43. The U.S. oil rig count rose to 595 operating rigs, the highest since March 2020, while OPEC+ agreed to adhere to its existing output strategy. Supply outages in Libya and an expected worker strike in Norway provided some upward price pressures last week. During June, Brent, WTI, and Arab Light all ended the month lower for the first time since November. Brent fell 3.7 percent, WTI fell 7.8 percent, and Arab Light lost 3.7 percent over the month.
- China's official NBS manufacturing PMI rose to 50.2 points in June from 49.6 points in May, the first expansion in factory activity since February. Major economic hubs including Shanghai eased virus-related lockdowns, leading to growth in output and new orders. New export orders and employment continued to decline but at a softer pace. Input costs rose the least in six months while output prices fell for the second consecutive month.
- Euro area annual inflation increased to a new record high of 8.6 percent in June from 8.1 percent in May. The European Central Bank (ECB) is preparing to raise interest rates for the first time in 11 years this month. Energy, food, and industrial goods prices continued to pick up while services prices eased slightly. Core annual inflation edged down to 3.7 percent in June.

## THE WEEK AHEAD

- U.S. releases trade balance figures for May on July 7
- U.S. releases June unemployment report for June on July 8
- Saudi Arabia releases industrial production index for May on July 10