



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

Weekly Market Brief
Week Ending July 15, 2022

SAUDI ARABIAN MARKET

Saudi Arabia Macroeconomic Developments

- Annual consumer inflation rose 2.3 percent in Saudi Arabia. The main categories of food prices (+4.4 percent) and transportation prices (+2.5 percent) were primarily responsible for the increase. Restaurant and hotel prices rose 4.9 percent. Prices were stable compared to the previous month, rising 0.2 percent MoM.
- Annual producer inflation rose 8.1 percent in June, down from 10.2 percent in May. Prices of basic chemicals rose 40.2 percent in June, the highest pace this year. Metal products, machinery, and equipment rose 5.8 percent. Food products rose 9.2 percent, most notably vegetables and dairy products. Wholesale prices were also relatively stable compared to the previous month, rising 0.1 percent.
- Foreign investments in Saudi Arabia rose 15 percent YoY to SAR2.46 trillion (\$656 billion) in Q1, according to the Saudi Central Bank (SAMA). Compared to Q4 2021, foreign investments were up 3 percent. Foreign direct investment (FDI) counted for 40 percent of the total while portfolio investment represented 36 percent. Other investments such as loans and currency deposits accounted for the remaining 24 percent.
- Saudi ports cargo throughput volumes rose 16.1 percent YoY in June, according the Saudi Ports Authority (Mawani). Approximately 27.1 million tons went through Mawani's nine ports compared to 23.4 million tons in June 2021. Liquid bulk cargo was up 32 percent while dry bulk cargo was down 7 percent.

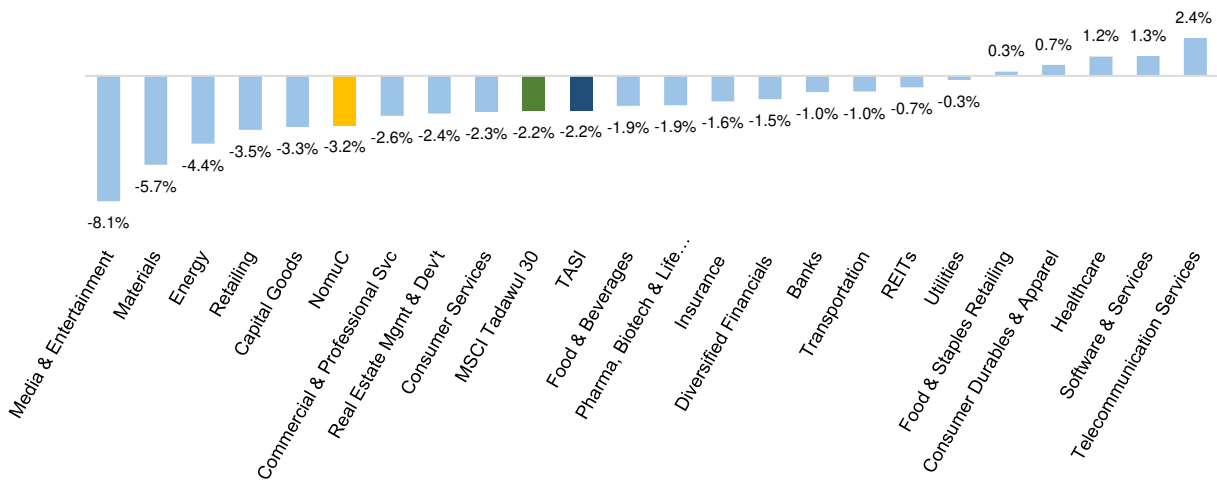


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Tadawul

The TASI fell 2.2 percent and closed at 11,163 points. ‘Telecommunication Services’ led with a 2.4 percent gain, followed by ‘Software & Services’ and ‘Healthcare’ with 1.3 percent and 1.2 percent gains. The NomuC parallel market index lost 3.2 percent while the MSCI Tadawul 30 declined 2.2 percent and closed the week at 1,550 points.

Tadawul Weekly Index Performance - July 15, 2022



Source: Tadawul, USSBC

- The Tadawul exchange was closed July 7 through July 12 for the Eid holiday. Trading resumed on July 13.



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Business, Trade, & Investment

- U.S. and Saudi businesses signed a series of investment agreements on the sidelines of U.S. President Joe Biden's visit to Saudi Arabia. The full scope of these deals covered eight emerging sectors including energy, manufacturing, aerospace, healthcare, tourism, and education. The agreements included:
 - The Saudi Space Authority signed the Artemis Accords with NASA relating to civil exploration of the Moon and Mars.
 - The Ministry of Communications and Information Technology (MCIT) signed an agreement with IBM to upskill 100K Saudi young men and women over five years in the technology sector.
 - MCIT signed an agreement with the U.S. National Communications and Information Administration (NTIA) for bilateral cooperation on 5G and 6G technologies.
 - The Ministry of Energy signed a partnership agreement with U.S. government officials defining areas of cooperation on civil nuclear energy and uranium while promoting clean energy and climate action.
 - Other agreements involving the U.S. private sector included defense firms Boeing and Raytheon as well as healthcare firms Medtronic, Digital Diagnostics, and IQVIA.
 - An agreement between the Royal Commission for Jubail and Yanbu and Mitchell Rubber Saudi Arabia, a partnership facilitated by the USSBC.
- Saudi Arabia's Public Investment Fund (PIF) announced a 16.7 percent stake in British luxury carmaker Aston Martin, becoming the 109-year-old company's second biggest shareholder. The PIF is a majority shareholder of U.S.-based Lucid Motors and a minority shareholder of Britain's McLaren.

Banking

Sama did not update last week's figures due to the Eid holiday



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U.S. MARKETS

U.S. Macroeconomic Developments

- U.S. annual inflation rose to 9.1 percent in June, the highest since November 1981. The headline figure outpaced market forecasts of an 8.8 percent rate. Energy prices rose 41.6 percent while food costs were up 10.4 percent. Shelter prices rose 5.6 percent and new vehicle prices rose 11.4 percent. Airfares were up 34.1 percent. Core inflation, which excludes food and energy, increased 5.9 percent.
- Retail sales rose 1 percent in June, beating forecasts of a 0.8 percent gain. Consumer spending remained strong but also reflected a general increase in the price of goods and services. Sales at gasoline stations (+3.6 percent) recorded the biggest increase. Building materials sales fell 0.9 percent. Core retail sales, which exclude vehicles, gasoline, food, and building materials, still rose 0.8 percent in May.
- Consumer sentiment in July rose to 51.1 points from a record low 50 points in June. Assessment of current economic conditions rose while future expectations declined further to 47.3 points, the lowest since May 1980. The share of consumers blaming inflation for negatively impacting living standards rose to 49 percent.

Fixed Income

The yield on the ten-year U.S. Treasury fell to 2.93 percent.

Equity Markets

The Dow Jones Industrial Average (DJIA) fell 0.2 percent and finished the week at 31,288 points. The S&P 500 declined 0.9 percent and finished at 3,863 points, while the NASDAQ fell 1.6 percent and finished the week at 11,452 points.



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GLOBAL MARKETS

- Arab Light crude fell 4.8 percent and finished the week at \$102.02. Global benchmark Brent crude declined 5.6 percent to \$100.99 while West Texas Intermediate (WTI) lost 6.9 percent and closed at \$97.59. Saudi Arabia indicated it would assess oil markets and take necessary action if necessary to balance supply but that no immediate increase in oil output was expected. OPEC+ will meet on August 3 to discuss changes to supply levels for the following month. The U.S. oil rig count meanwhile increased by two, making the 599 currently operating the most since March 2020.
- China's economy grew 0.4 percent YoY in Q2, missing market expectations of at least 1 percent growth. GDP in China grew 4.8 percent in Q1 before virus lockdown measures intensified in Q2. The government warned about "shrinking demand" in the residential real estate sector and tightening monetary policy internationally. Official forecasts target 5.5 percent GDP growth for the full year.
- The U.K. economy unexpectedly grew 0.5 percent MoM in May amid a growth in non-COVID health and social service activity. Production grew 0.9 percent, boosted by a 1.4 percent gain for the manufacturing sector. Construction expanded 1.5 percent over the same period.

THE WEEK AHEAD

- U.S. releases building permits for June on July 19
- U.S. releases home sales for June on July 20
- Saudi Arabia releases international trade figures for May on July 25