



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

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Weekly Market Brief  
*Week Ending July 29, 2022*

SAUDI ARABIAN MARKET

Saudi Arabia Macroeconomic Developments

- Saudi Arabia's economy grew 11.8 percent YoY in Q2 2022, according to initial estimates from the General Authority for Statistics (GASat). Oil activity surged 23 percent while non-oil activity expanded 5.4 percent. Government services rose 2.2 percent over the same period.
- The Saudi Central Bank (SAMA) raised key interest rates by 75 basis points following the same move by the U.S. Federal Reserve. Saudi Arabia's reverse repo rate now stands at 2.5 percent and its repo rate stands at 3 percent. SAMA follows the Fed's rate moves due to the riyal-dollar currency peg.
- The International Monetary Fund (IMF) raised its GDP forecast for the Saudi economy to 3.7 percent growth in 2023, up from its April forecast of 3.6 percent. IMF kept its 2022 forecast unchanged at 7.6 percent.
- The value of Saudi real estate transactions rose 37 percent YoY to SAR23.7 billion (\$6.3 billion) in June-July 2022 compared to SAR17.3 billion (\$4.6 billion) in the same period last year. The number of transactions stood around 22.9K, down from 23.7K a year earlier. The average transaction value was approximately SAR1.03 million (\$275K).
- Saudi Arabia's international reserve assets rose by 3.3 percent, or SAR56.3 million (\$15 million), to SAR1.75 trillion (\$467 billion) in June, according to SAMA. The increase in reserve assets was primarily due to a 146 percent increase in Saudi Arabia's special drawing rights, an IMF-backed international reserve asset.

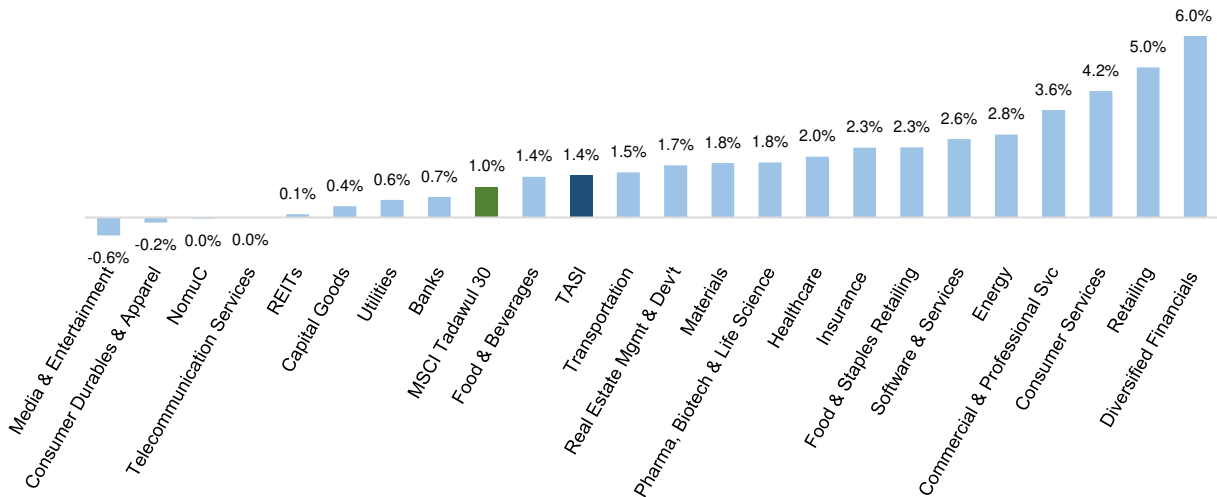


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Tadawul

The TASI rose 1.4 percent and closed at 12,155 points. ‘Diversified Financials’ led with a 6 percent gain, followed by ‘Retailing’ and ‘Consumer Services’ with 5 percent and 4.2 percent gains. The NomuC parallel market index remained flat while the MSCI Tadawul 30 gained 1 percent and closed the week at 1,679 points.

Tadawul Weekly Index Performance - July 29, 2022



Source: Tadawul, USSBC

- H.R.H. Crown Prince Mohammed bin Salman announced plans for gigaproject company NEOM to be listed on the Tadawul exchange in 2024. The company is wholly owned by the Public Investment Fund (PIF).



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### Business, Trade, & Investment

- The Royal Commission for Jubail and Yanbu (RCJY) signed an agreement with Mitchell Rubber Arabia worth SAR188 million (\$50 million) to allocate land for the construction of a manufacturing facility for synthetic rubber components in Yanbu. The USSBC was instrumental in bringing Mitchell Rubber to the KSA market.
- Saudi Arabia plans to invest SAR17 billion (\$5 billion) to boost poultry production as part of a plan to achieve a self-sufficiency rate of 80 percent by 2025, according to the Saudi Press Agency (SPA). The Ministry of Environment, Water, and Agriculture (MEWA) is currently targeting a level of 1.3 million tons of broiler chickens per year.
- Dow and the Al-Hejailan Group signed an agreement to form a joint venture (JV) to design, build, and operate a methyl diethanolamine plant in the PlasChem Park in Jubail. The JV will meet growing for natural gas purification in Saudi Arabia the broad Middle East region.
- Saudi Arabia signed further agreements with Greece to explore a joint venture relating to the laying of an undersea data cable connecting Asia and Europe. The data cable will be developed by MENA Hub which is jointly owned by Saudi Arabia's STC and Greek telecom company TTSA.
- France's Navya signed a distribution agreement with Saudi e-mobility firm Electromin to expand the availability of autonomous shared transport solutions in line with the Kingdom's smart city projects.

### Banking

Money supply M1 rose 0.4 percent while M2 and M3 declined 0.4 percent and 0.1 percent, respectively, during the week ending July 21.



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## U.S. MARKETS

### U.S. Macroeconomic Developments

- The Federal Reserve raised the target range for the federal funds rate by 75 basis points to 2.25-2.5 percent during its July meeting. The move marked the fourth consecutive monthly rate hike and the highest level since 2019. The central bank stated ongoing increases would be appropriate to bring inflation in line with the Fed's 2 percent annual target.
- The U.S. economy contracted 0.9 percent in Q2 on an annualized basis. Following the first quarter's 1.6 percent GDP decline, the world's largest economy entered a technical recession in the second quarter as inventories and business investment dragged down the headline value. Net trade still made a positive contribution for the first time since the pandemic onset with exports rising 18 percent compare to a 3 percent increase in imports.
- Durable goods orders rose 1.9 percent MoM in June, the fourth consecutive monthly increase and the most since January. The headline figure beat market forecasts in a strong sign for business spending plans despite high inflation and rising rates.
- U.S. new home sales fell 8.1 percent MoM to a seasonally adjusted 590K-unit pace in June, missing market expectations. The reading was the lowest since April 2020 as higher mortgage rates and material costs have cooled purchasing activity. Sales fell in all geographic regions except for the Midwest.

### Fixed Income

The yield on the ten-year U.S. Treasury fell to 2.67 percent.

### Equity Markets

The Dow Jones Industrial Average (DJIA) rose 3 percent and finished the week at 32,845 points. The S&P 500 gained 4.3 percent and finished at 4,130 points, while the NASDAQ rose 4.7 percent and finished the week at 12,391 points. During July, DJIA rose 6.7 percent, the S&P rose 9.1 percent, and the NASDAQ gained 12.4 percent.



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## GLOBAL MARKETS

- Arab Light crude rose 5.7 percent and finished the week at \$107.88. Global benchmark Brent crude gained 5.7 percent to reach \$103.71 while West Texas Intermediate (WTI) lost 2.5 percent and closed at \$95.13. U.S. inventory data showed large drawdowns in U.S. crude and gasoline inventories while market reports indicated several secondary OPEC+ producers were falling short of output hikes. The 23-nation group is set to meet this week on August 3 to discuss production quotas for September. During the month of July, Brent crude gained 0.9 percent while WTI and Arab Light lost 6.8 percent and 4 percent, respectively.
- The Eurozone economy expanded 0.7 percent QoQ (+4 percent YoY) in the second quarter, the strongest quarterly performance since Q3 2021. Major economies Germany, Italy, France, and Spain eased COVID restrictions and also benefited from higher summer tourism activity. Analysts noted the looming potential for energy crises amid the war in Ukraine and natural gas cuts from Russia as the Eurozone enters a cold weather period in the months ahead.
- China's official NBS manufacturing PMI fell to 49 points in July from 50.2 points in the prior month, unexpectedly entering contraction territory. Tightening global monetary policy and sporadic lockdowns in some Chinese cities were primary drivers of the slowdown in manufacturing activity. The unofficial but closely watched Caixin manufacturing PMI showed activity hovering above the 50-point mark at 50.4 points, but with output and new orders growing at a softer rate and the fastest rate of employment decline since April 2020.

## THE WEEK AHEAD

- OPEC+ meets to discuss oil output agreement on August 3
- Saudi Arabia PMI for July is released on August 3
- U.S. releases balance of trade for June on August 4
- U.S. releases July employment report on August 5