



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

Weekly Market Brief
Week Ending August 12, 2022

SAUDI ARABIAN MARKET

Saudi Arabia Macroeconomic Developments

- Saudi Arabia's industrial production index rose 21 percent YoY in June, according to the General Authority for Statistics (GASat). Manufacturing grew at a faster pace (+29.3 percent) compared to mining & quarrying (+19.2 percent). Approximately 39 percent of industrial investment in the Kingdom was foreign or joint capital investment.
- Consumer prices in Saudi Arabia rose 2.7 percent YoY in July due to higher prices for food and transportation. Annual inflation accelerated from June's 2.3 percent rate. Food prices (+4.2 percent), particularly meat, was the leading segment driving higher prices.
- Cement sales in Saudi Arabia grew 7 percent YoY to 3.9 million tons in July from 3.6 million tons last year, according to data from Yamama Cement Co. Clinker production meanwhile declined 2 percent to 4.8 million tons in July.

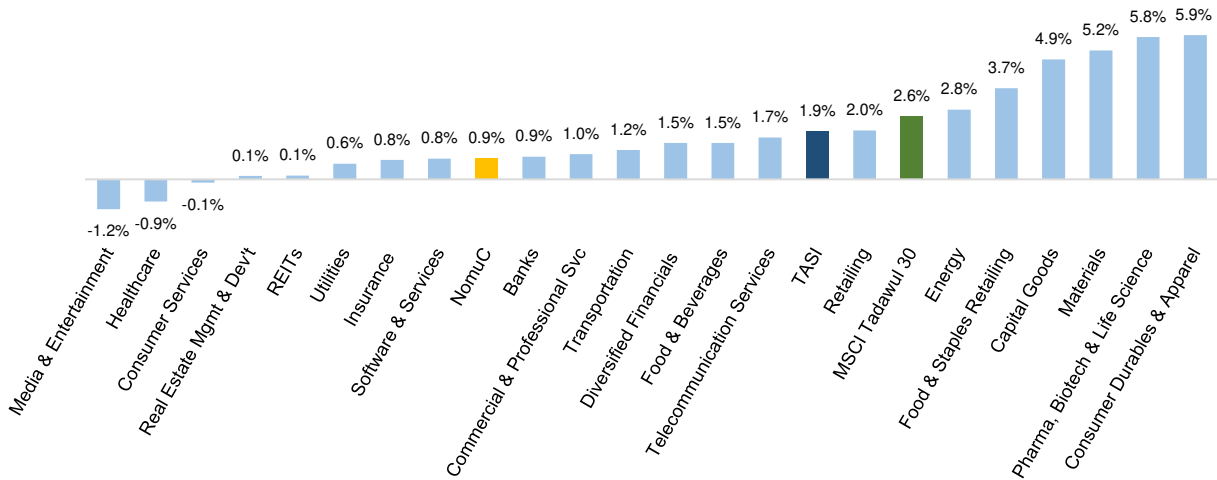


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Tadawul

The TASI rose 1.9 percent and closed at 12,530 points. ‘Consumer Durables & Apparel’ led again this week with a 5.9 percent gain, followed by ‘Pharma, Biotech, & Life Science’ and ‘Materials’ which rose 5.8 percent and 5.2 percent, respectively. The NomuC parallel market index rose 0.9 percent while the MSCI Tadawul 30 gained 2.6 percent and closed the week at 1,746 points.

Tadawul Weekly Index Performance - August 12, 2022



Source: Tadawul, USSBC

- Saudi Aramco posted a record high profit of SAR181.5 billion (\$48.4 billion) in Q2 2022, a 90 percent YoY increase. The world’s largest energy company announced it would keep its dividend commitment unchanged at SAR70.5 billion (\$18.8 billion). Aramco’s CEO stated the company is prepared to raise oil production to 12 million barrels per day (bpd) if requested by the government and expects to add an additional 1 million bpd in output capacity by 2025.



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Business, Trade, & Investment

- The Ministry of Industry & Mineral Resources (MIMR) issued 90 new industrial licenses in June, bringing the year's total to 501 licenses. The total number of existing and under-construction facilities was reportedly 10,675 at the end of June with investments totaling SAR1.4 trillion (\$361 billion).
- Saudi Electricity Company (SEC) secured a SAR2.1 billion (\$568 million) financing facility to fund the Saudi-Egyptian electricity interconnection project. The project will reportedly establish a total electricity exchange of up to 3,000 MW between the two countries.
- U.S. engineering firm Parsons was awarded SAR836 million (\$223 million) in new contracts for project management of the Riyadh Metro program and other unspecified commercial entertainment works. The Riyadh Metro, which was originally delayed due to the COVID pandemic, is expected to commence operations in 2023.
- Saudi Arabia's Agricultural Development Fund (ADF) signed a SAR150 million (\$40 million) contract to finance the import of roughly 130K tons of barley. The U.S. exported SAR1.1 billion (\$279 million) in cereal grains to the Kingdom in 2021.
- Wafrah for Industry and Development Co. signed a SAR15 million (\$4 million) contract with Germany's GEA Food Solutions to manufacture and supply automated processing lines for packaging frozen and cooked meats for the Saudi firm.
- The Saudi Central Bank (SAMA) stated that digital payments exceeded cash transactions in Saudi Arabia for the first time in 2021. Separately, U.S. financial services firm Visa ranked Saudi Arabia as the MENA leader in adoption of contactless payments.

Banking

Money supply M1, M2, and M3 fell 2.3 percent, 0.9 percent, and 0.9 percent, respectively, during the week ending August 4.



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U.S. MARKETS

U.S. Macroeconomic Developments

- U.S. annual inflation stood at 8.5 percent in July, easing from a 40-year high of 9.1 percent. Energy prices rose 33 percent compared to last month's 42-year high of 41.6 percent as fuel costs moderated. Food inflation continued to accelerate (+10.9 percent). On a monthly basis, consumer prices were unchanged. Core inflation, which excludes food and energy, stood at a six-month low of 5.9 percent YoY.
- Producer prices in the U.S. declined 0.5 percent MoM in July for the first time in two years. Annual production inflation remained high at 9.8 percent, but still the lowest since October. Lower energy prices and associated impact on downstream industries was the primary driver of easing prices.
- Consumer sentiment in the U.S. picked up to 55.1 points in August from 51.5 points in July, the highest level in three months. Economic expectations for the year ahead improved, but the assessment of current economic conditions fell lower according to the University of Michigan survey. Inflation expectations for the year ahead moderated to 5 percent from 5.2 percent last month.

Fixed Income

The yield on the ten-year U.S. Treasury rose to 2.84 percent.

Equity Markets

The Dow Jones Industrial Average (DJIA) rose 2.9 percent and finished the week at 33,761 points. The S&P 500 gained 3.3 percent and finished at 4,280 points while the NASDAQ rose 3.1 percent and finished the week at 13,047 points.



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GLOBAL MARKETS

- Arab Light crude rose 4.6 percent and finished the week at \$105.14. Global benchmark Brent crude gained 3.4 percent to reach \$98.15 while West Texas Intermediate (WTI) rose 3.5 percent and closed at \$92.09. U.S. gasoline demand rebounded and inflation registered below market expectations, boosting oil prices which posted the biggest drop of the year just last week.
- China's central bank unexpectedly cut two key interest rates for the second time this year. The People's Bank of China stated it would lower the rate of one-year medium term lending facilities by 10 basis points (bps) to 2.75 percent. Markets broadly expected the bank to leave rates unchanged, leading to renewed focus on the slowing rate of credit growth in the world's second largest economy.
- Japan's economy grew at an annualized 2.2 percent rate in Q2 2022, as strong recovery in private consumption helped boost the country's long recovery from the impacts of the COVID-19 pandemic. Japanese GDP had grown just 0.1 percent in Q1. The IMF cut Japan's growth outlook for 2022 from 2.4 percent to 1.7 percent amid an uncertain global macroeconomic environment.

THE WEEK AHEAD

- U.S. releases retail sales for July on August 17
- U.S. releases home sales for July on August 17
- Saudi Arabia releases international trade figures for June on August 24