



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

Weekly Market Brief
Week Ending August 26th, 2022

SAUDI ARABIAN MARKET

Saudi Arabia Macroeconomic Developments

- Non-oil exports rose 31 percent YoY in Q2, reaching SAR86.2 billion (\$23 billion). Compared to Q1 2022, non-oil exports were up 9.7 percent. Leading non-oil goods were chemical and plastics products which accounted for 35 percent and 29 percent of the non-oil total. The ratio of non-oil exports to imports surpassed 50 percent in Q2.
- The value of U.S.-Saudi trade totaled SAR43.6 billion (\$11.6 billion) in Q2, rising 55 percent YoY. Saudi exports to the U.S. rose 92 percent YoY as oil demand and prices rose steadily over the past year. U.S. exports to the Kingdom were also up 15 percent YoY in Q2.
- Saudi Arabia's reserve assets totaled SAR1.74 trillion (\$464 billion) in July, declining 0.6 percent MoM. Total reserve assets were up 5 percent YoY. Over the past year, the Kingdom raised its foreign currency, deposits abroad, and special drawing rights (SDR) while trimming its investments in foreign securities.
- The value of point-of-sale (POS) transactions in Saudi Arabia rose 17.7 percent YoY in July to reach SAR45.8 billion (\$12.2 billion). Approximately 43 percent of transactions utilized near-field communication technology, a growing segment of consumer spending. The leading segments were food, restaurants, healthcare, and retail goods like clothing and footwear.
- Residential new mortgages fell 45 percent in July MoM. The value of each lending segment – houses, apartments, land – all declined. The number of contracts declined to 9,047 in July with an average mortgage size of SAR794.6K (\$211.9K). The YTD level of new mortgage lending through July was approximately 18 percent lower than last year.

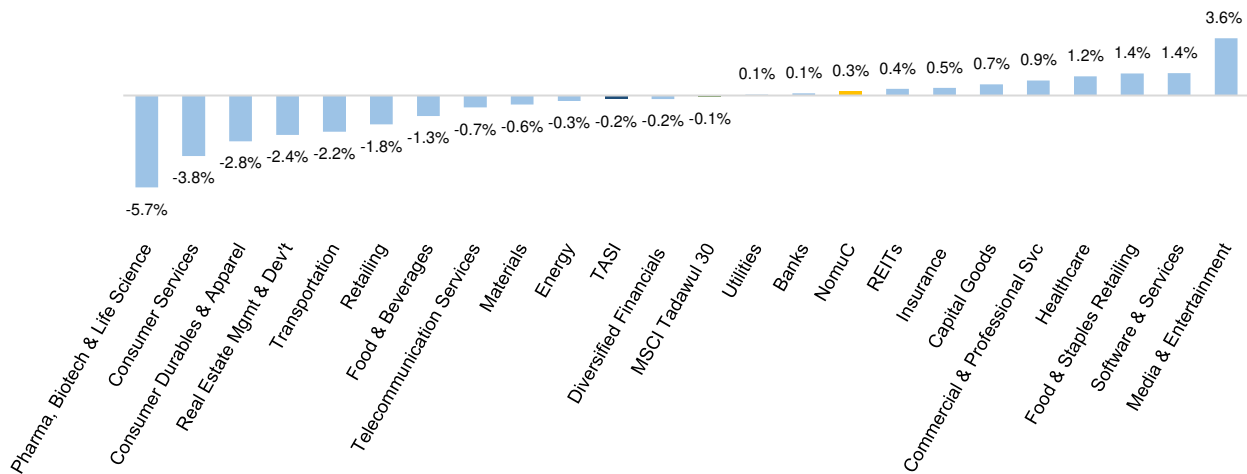


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Tadawul

The TASI fell 0.2 percent and closed at 12,592 points. 'Media & Entertainment' led again with a 3.6 percent gain, followed by 'Software & Services' and 'Food & Staples Retailing,' which both rose 1.4 percent. The NomuC parallel market index meanwhile rose 0.3 percent while the MSCI Tadawul 30 fell 0.1 percent and closed the week at 1,758 points.

Tadawul Weekly Index Performance - August 26, 2022



Source: Tadawul, USSBC



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Business, Trade, & Investment

- King Salman Energy Park (SPARK) signed an agreement with Mubarak A AlSuwaiket and Sons to set up a manufacturing facility with an initial investment of SAR40 million (\$10.7 million). The factory will produce corrosion protection tapes made of polyisobutylene.
- The Ministry of Energy finalized the launch of a legal framework to accommodate the broad rollout of electric vehicle charging stations in Saudi Arabia, according to Saudi Gazette. The framework involves several government entities such as SEC to address issues related to electrical distribution, safety, and compliance.
- The Saudi Central Bank (SAMA) approved two new fintech companies, Lean Technologies and Mod5r, to provide open banking solutions to customers in Saudi Arabia. This brings the total number of permitted fintech firms operating under SAMA's Regulatory Sandbox to 38.
- The Ministry of Energy signed a power-purchase agreement for the 80 MW solar photovoltaic (PV) independent power producer (IPP) project in Layla. The Layla solar PV IPP project is part of the third round of Saudi Arabia's National Renewable Energy Program. A consortium that includes ACWA Power, China's Huanghe Hydropower Development, and PIF subsidiary Water & Electricity Holding Company is developing the project.
- NEOM will tender three reinforced concrete water reservoirs in the Q4 2022, according to MEED. The three planned projects comprise facilities capable of holding up to 6 billion liters of water.

Banking

Money supply M1, M2, and M3 rose 0.4 percent, 0.2 percent, and 1 percent, respectively, during the week ending August 18.



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U.S. MARKETS

U.S. Macroeconomic Developments

- New home sales dropped 12.6 percent MoM to a seasonally adjusted 511K rate in July, the lowest reading since January 2016. The headline figure missed market forecasts by more than 60K units. Rising borrowing costs and house prices have led to a demand drop in recent months. The median price of a new home increased to \$439.4K, up 8.2 percent YoY.
- Durable goods orders were unchanged in July from last month, missing market forecasts of a 0.6 percent increase. It was the first month in the last five showing no growth in orders, led by a 0.7 percent decline in orders for transportation equipment. Orders for non-defense capital goods increased 0.4 percent over the same period.
- Personal income increased 0.2 percent MoM in July, rising for the sixth consecutive month. The rise in compensation primarily reflected a rise in private wages and salaries, offset by decreases in transfer receipts, rental income, and decreases in proprietors' income.

Fixed Income

The yield on the ten-year U.S. Treasury rose to 3.04 percent.

Equity Markets

The Dow Jones Industrial Average (DJIA) fell 4.2 percent and finished the week at 32,283 points. The S&P 500 lost 4 percent and finished at 4,058 points while the NASDAQ declined 4.4 percent and finished the week at 12,142 points.



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GLOBAL MARKETS

- Arab Light crude rose 5.2 percent and finished the week at \$107.69. Global benchmark Brent crude gained 4.4 percent to reach \$100.99 while West Texas Intermediate (WTI) rose 2.5 percent and closed at \$93.06. OPEC+ will meet next Monday, September 5, to discuss oil output after Saudi Arabia raised the possibility of production cuts. Recent data showed OPEC+ produced 2.89 million bpd below targets in July as international sanctions and low investment limited realized output from some countries. The U.S. dollar hit a 20-year high at the start of the week, limiting the gains.
- Eurozone composite PMI stood at 49.2 points in August, an 18-month low. Cost of living pressures sapped demand in the service sector. Broad-based declines in reported business activity signaled the second consecutive reduction after a 16-month growth period.
- Japan's private sector activity declined for the first time in six months. Both the manufacturing and service sectors saw declines in activity with the former seeing the fastest drop in 11 months. While cost pressures were widely cited by businesses, the survey showed the rate of input cost inflation continued to moderate in August.

THE WEEK AHEAD

- U.S. manufacturing PMI for August is released September 1
- U.S. employment rate for August is released September 2
- Saudi Arabia PMI for August is released September 5
- OPEC+ meets to discuss oil output on September 5