



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

Weekly Market Brief
Week Ending October 7th, 2022

SAUDI ARABIAN MARKET

Saudi Arabia Macroeconomic Developments

- The World Bank raised its forecast for Saudi Arabia's real gross domestic product (GDP) to 8.3 percent in 2022, compared to its previous estimate of 7 percent in May. The Kingdom is also projected to post a surplus of 6.8 percent and 4.5 percent of GDP in 2022 and 2023, respectively.
- Total Saudi bank loans granted to the public and private sectors grew 15 percent in August to SAR2.4 trillion (\$629 billion), compared to SAR2.05 trillion (\$546 billion) a year earlier, according to data issued by the Saudi Central Bank (SAMA). Private sector lending increased by 15 percent YoY to SAR2.24 trillion (\$598 billion) for the same month. Meanwhile, loans granted to public non-financial institutions grew 26 percent YoY to SAR117.1 billion (\$31 billion).
- Saudi Arabia continues to maintain the ongoing expansion of its non-oil economy as output and new orders recorded gains, leaving the Kingdom's Purchasing Managers' Index (PMI) at 56.6 points in September, the latest data from S&P Global revealed. Although down from August's 57.7 points, Saudi Arabia managed to maintain growth for the 25th successive month.
- Saudi Arabia's Ministry of Finance and the National Debt Management Center signed an agreement with international banks to join primary dealers in government debt instruments. The deal includes Citi Group, BNP Paribas, Goldman Sachs, Standard Chartered, and J.P. Morgan.

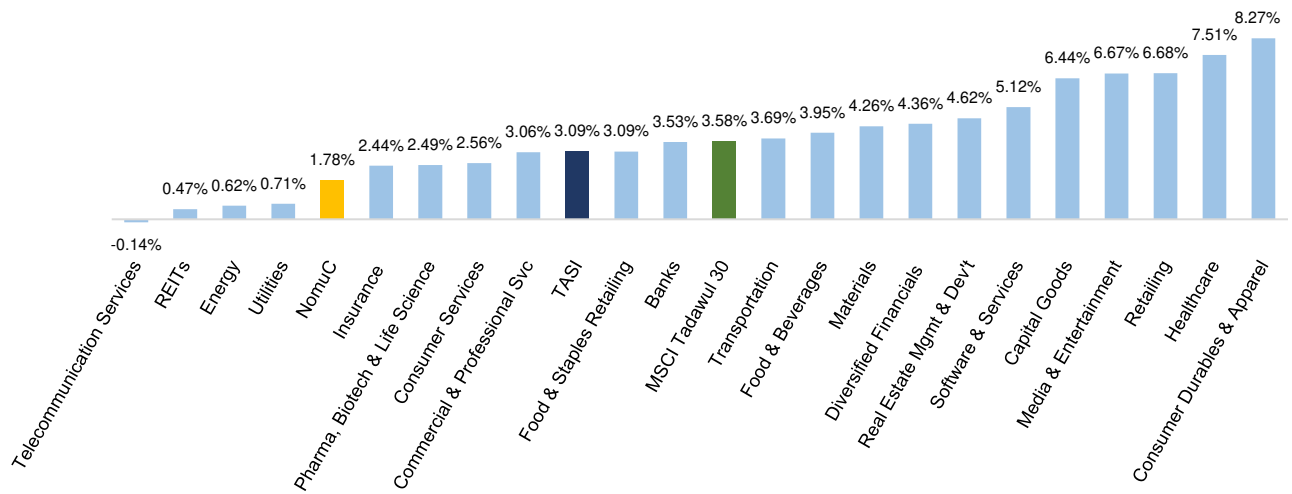


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Tadawul

The TASI surged by 3 percent last week and closed at 11,758 points. Twenty of the 21 sectors finished in positive territory. 'Consumer Durables & Apparel' led all sectors with an increase of 8.3 percent. 'Telecommunication Services' was the lone sector to finish in the negative with a 0.14 percent fall. The NomuC parallel market index increased by 1.78 percent while the MSCI Tadawul 30 jumped by 3.58 percent and closed the week at 1,634 points.

Tadawul Weekly Index Performance - October 7, 2022



Source: Tadawul, USSBC



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Business, Trade, & Investment

- Saudi Telecom Company (stc) announced the launching of 'Center3' with an investment value of SAR3.75 billion (\$1 billion) to promote digital economy growth in Saudi Arabia. The new company will own the digital infrastructure assets owned by the STC group, including data centers, submarine cables, and internet exchange points (IXPs).
- Crown Prince Mohammed bin Salman announced the launch of the Saudi Downtown Company (SDC), which aims to build and develop downtown areas and mixed-use destinations in 12 Saudi cities. By launching the SDC, Saudi Arabia's Public Investment Fund (PIF) aims to increase trade and investment opportunities in various Saudi cities.
- The PIF received more than SAR67 billion (\$17.85 billion) in demand for its debut bond sale, in what will be the first green bond deal by a sovereign wealth fund. The PIF will sell the green bonds in three tranches, including one with a tenor of 100 years, a first for a green bond and a sovereign wealth fund issuer. Initial guidance was around 150 basis points (bps) over U.S. treasuries for a five-year tranche, around 190 bps over U.S. treasuries for 10-year tranche, and around 7-7.25 percent for the 100-year bond, which is expected to raise SAR1.9 billion (\$500 million).
- Residential real estate finance provided by banks in Saudi Arabia fell by 0.3 percent YoY to SAR12.7 billion (\$3.4 billion) in August, data issued by SAMA showed. Compared to July 2022, residential real estate finance rose by nearly SAR5.51 billion (\$1.47 billion), or 77 percent.

Banking

Money supply M1, M2, and M3 grew by 0.34 percent, 1.05 percent, and 0.05 percent during the week ending September 29.



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U.S. MARKETS

U.S. Macroeconomic Developments

- Total construction spending dipped 0.7 percent in August. Growth in spending during July was revised slightly lower and now shows a 0.6 percent drop. Overall spending is up 10.9 percent YTD. The drop in residential spending was owed entirely to a 2.9 percent fall in single-family spending. This year's spike in mortgage rates has weighed heavily on new home sales, and builders are now scaling back production in response.
- The U.S. trade deficit narrowed to \$67.4 billion in August from \$70.5 billion previously. August marked the fifth consecutive month that the balance has narrowed and leaves the deficit 37 percent smaller than it was at its peak back in March of this year.
- The ISM Services Index declined modestly in September, but at 56.7 points it is still consistent with expansion in the sector. Easing supply chains continue to provide some relief, and a rebound in the employment component signals another steady month of hiring.
- Nonfarm payrolls nearly matched consensus expectations with a 263K gain in September. Job gains were largest in some of the hardest-hit pandemic sectors, such as leisure and hospitality and healthcare. The unemployment rate returned to a 50-year low of 3.5 percent through a combination of solid job growth and a roughly flat labor force.

Fixed Income

The yield on the ten-year U.S. Treasury rose to 3.89 percent.

Equity Markets

The Dow Jones Industrial Average (DJIA) jumped 1.99 percent and finished the week at 29,297 points. The S&P 500 increased 1.5 percent and finished at 3,639 points while the NASDAQ grew 0.73 percent and finished the week at 10,652 points.



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GLOBAL MARKETS

- Arab Light crude increased 5.15 percent and finished the week at \$97.33. Global benchmark Brent crude jumped 11.32 percent to reach \$97.92 while West Texas Intermediate (WTI) surged by 16.54 percent and closed at \$92.64. Global oil prices surged on the back of the OPEC+ decision to cut 2 million barrels per day beginning in November, marking its largest supply cut since 2020 despite concerns of a possible recession and rising interest rates.
- The trade surplus in Germany narrowed sharply to €600 million in August of 2022, the lowest surplus since January of 1992, compared to €11.6 billion a year earlier. Exports jumped 21.2 percent YoY to €126.7 billion and imports surged 35.7 percent to €126.1 billion.
- The S&P Global India Composite PMI slipped to 55.1 points in September from 58.2 points in August. This was the weakest growth in private sector activity since March but still above its long-run average. Manufacturers recorded stronger expansion compared to service providers, though growth softened in both cases. New orders grew the least in six months, amid softer increases in the manufacturing and services economies.

THE WEEK AHEAD

- Saudi Arabia releases industrial production for August on October 10
- U.S. Federal Reserve will convene on federal funds rate October 12
- U.S. releases inflation rate for September on October 13