



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

Weekly Market Brief
Week Ending March 11, 2022

SAUDI ARABIAN MARKET

Saudi Arabia Macroeconomic Developments

- The value of awarded construction contracts in Saudi Arabia rose 340 percent YoY in Q4 2021 to reach SAR70.2 billion (\$18.7 billion), according to USSBC's [Q4 Construction Awards Index Report](#). The Contract Awards Index (CAI) catapulted to 209.05 points, growing by 94.21 points during the quarter. The CAI reached the 200-point mark for the first time since the onset of the pandemic. The oil & gas sector rebounded to reach the highest value of awarded contracts worth approximately SAR34.9 billion (\$9.3 billion) after a dormant first three quarters.
- Saudi Arabia's industrial production index rose 11.1 percent YoY in January. Strong production gains in manufacturing, oil & gas, and power generation drove the index to its ninth consecutive monthly gain. 'Mining & quarrying', which encompasses oil production, accounts for 75 percent of the index and rose 11.4 percent over the same period.
- The Ministry of Finance issued a riyal-denominated sukuk divided into four tranches worth SAR26.2 billion (\$7 billion). The two largest tranches were SAR13.2 billion (\$3.5 billion) and SAR8.5 billion (\$2.3 billion) and mature in 2032 and 2037, respectively. The remaining two tranches were sized at SAR2.6 billion (\$693 million) and SAR1.9 billion (\$507 million) and mature in 2027 and 2029, respectively.

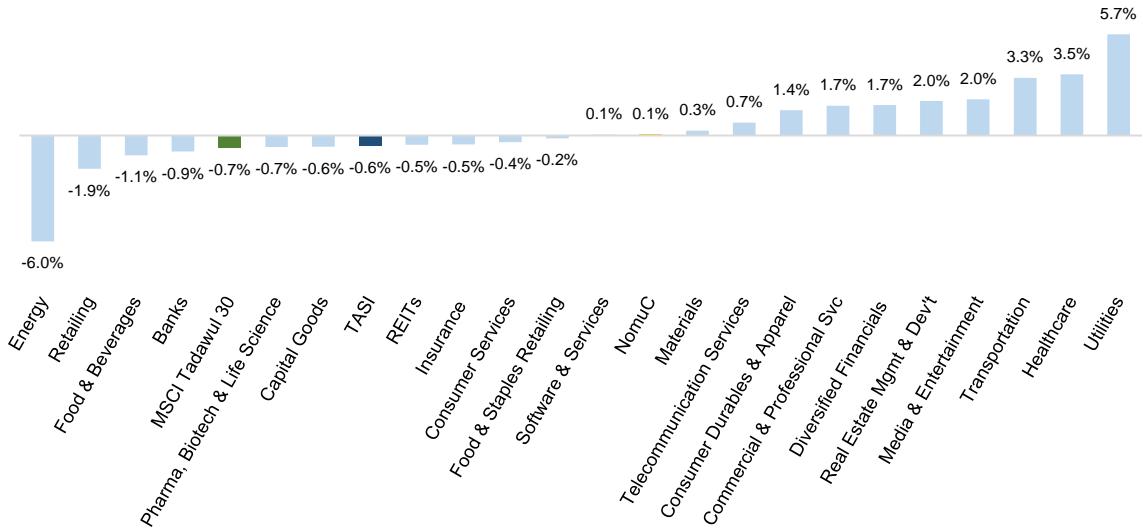


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Tadawul

The TASI fell 0.6 percent last week and closed at 12,684 points. 'Utilities' led other sectors with a 5.7 percent gain followed by 'Healthcare' and 'Transportation' with 3.5 percent and 3.3 percent gains, respectively. 'Energy' led losses and fell 6 percent after surging the previous two weeks. The NomuC parallel market index inched up 0.1 percent while the MSCI Tadawul 30 lost 0.7 percent and closed the week at 1,793 points.

Tadawul Weekly Index Performance - March 11, 2022



Source: Tadawul, USSBC



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Business, Trade, & Investment

- The General Authority for Military Industries (GAMI) announced the approval of two localization projects in collaboration with Lockheed Martin for the THAAD weapon system. The first project involves the domestic manufacture of missile interceptor launchers and the second involves the local production of missile interceptor canisters.
- Raytheon reportedly plans to move Patriot missile parts production to Saudi Arabia.
- The Ministry of Defense announced the closure of ten deals worth SAR7 billion (\$3.5 billion) with local and international companies at the World Defense Show in Riyadh. The deals included:
 - South Korea's Hanwha signed a SAR3 billion (\$800 million) deal with the Royal Saudi Land Forces to support its defense and supply chain services.
 - Alsalam Aerospace signed three contracts worth SAR1.7 billion (\$453 million) to provide maintenance services for the Royal Saudi Air Forces.
 - NAVAL Arabian Group signed a SAR800 million (\$213 million) contract to provide the Royal Saudi Navy with vessel technical support services.
 - GDC Middle East signed a SAR400 million (\$107 million) deal with the Ministry of Defense to provide technical support for the Kingdom's C130 aircraft.
 - China's Norinco and Poongsan Corporation signed two supply contracts worth SAR430 million (\$115 million) and SAR460 million (\$123 million) for the acquisition of various types of ammunition.
 - Korea's LIG NiX1 signed a SAR250 million (\$67 million) contract to obtain an electro-optical defense system for the Royal Saudi Navy.
- SAMA extended the Guaranteed Financing Program scheme for small and medium enterprises (SMEs) through March 2023. The central bank stated that the program has issued over 13,000 contracts with a total financing value of more than SAR 11 billion (\$2.9 billion).
- Foreign investment licenses issued in Saudi Arabia reached 4,431 last year, rising 250 percent YoY, according to a report issued by the National Transformation Program (NTP). The report also stated 44 international companies had chosen Riyadh as their regional headquarters in 2021.



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- The Ministry of Energy signed power-purchase agreements with two consortiums that were awarded two recent solar PV independent power projects in the Kingdom. The contracts involve a combined 1GW between the 700MW Al-Rass project and the 300MW Saad project valued together at SAR2.5 billion (\$667 million).
- Huajin Aramco Petrochemical Company, a Saudi-Chinese joint venture, signed an agreement to develop a major integrated refinery and petrochemical complex in northeast China. The plant will allow Saudi Aramco to supply up to 210K barrels per day (bpd) of crude oil feedstock.

Banking

Weekly money supply M1, M2, and M3 rose 2 percent, 1.2 percent, and 1 percent, respectively, during the week ending March 3.

U.S. MARKETS

U.S. Macroeconomic Developments

- U.S. inflation rose to a 40-year high of 7.9 percent YoY in February. Food, energy, and core services drove headline inflation higher while core goods inflation moderated. Core inflation still rose to a 40-year high of 6.4 percent YoY.
- The U.S. trade deficit widened to a record high \$89.7 billion in January, according to official trade data. Imports increased 1.2 percent while exports fell 1.7 percent. Imports of food and consumer goods posted record highs. Notably, U.S. crude oil imports jumped by \$935 million.
- Consumer sentiment fell to 59.7 points in March, from 62.8 points in February. The University of Michigan's sentiment index posted its lowest reading since November 2011 as inflation fears and geopolitical tensions lowered economic expectations. The proportion of respondents expecting personal finances to worsen in the year ahead was the largest since the survey began in the 1940s.

Fixed Income

The yield on the ten-year U.S. Treasury rose to 2 percent.



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Equity Markets

The Dow Jones Industrial Average (DJIA) fell 2 percent and finished the week at 32,944 points. The S&P 500 dropped 2.9 percent and finished at 4,204 points and the NASDAQ lost 3.5 percent and finished at 12,843 points. DJIA saw its fifth consecutive weekly decline amid heightened international tensions and looming interest rate hikes.

GLOBAL MARKETS

- Arab Light crude rose 1.1 percent and finished the week at \$108.50. Global benchmark Brent crude meanwhile fell 4.6 percent and finished the week at \$112.67 while West Texas Intermediate (WTI) lost 5.5 percent and closed at \$109.33. Oil benchmarks settled lower following sharp increases to 13-year highs last week. Energy markets have remained volatile since the outbreak of military conflict in Ukraine. The U.S. announced it would end energy imports from Russia while pressure from top oil-consuming nations mounted on OPEC+ to raise oil production.
- China's annual inflation rate stood at 0.9 percent in February, unchanged from the previous month. Producer inflation in China meanwhile moderated to 8.8 percent YoY from last month's 9.1 percent reading. The slowdown in producer prices marked an eight-month low, though analysts expect the Ukraine conflict will put further upward pressure on prices in next month's report.
- The European Central Bank left key interest rates unchanged but quickened the pace of asset purchase plans while raising its official inflation forecast to 5.1 percent YoY, up from 3.2 percent before, citing "exceptional energy price shocks." GDP growth expectations for the Euro area was revised downward to 3.7 percent.

THE WEEK AHEAD

- Saudi Arabia releases February inflation figures on March 15
- U.S. releases retail sales for February on March 16
- U.S. Fed announces interest rate decision on March 16
- Saudi Arabia releases full Q4 GDP report on March 16
- U.S. releases home sales figures for February on March 18