



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

Weekly Market Brief
Week Ending March 11, 2022

SAUDI ARABIAN MARKET

Saudi Arabia Macroeconomic Developments

- Saudi Arabia's economy grew 6.7 percent YoY (+1.6 percent QoQ) in Q4 2021, according to the General Authority of Statistics' (GASStat) full GDP report. In the final quarter of 2021, oil activity rose 10.9 percent while non-oil activity rose 5.1 percent. Top growing sectors were related to crude oil & natural gas extraction (+10.4 percent YoY) as well as petroleum refining (+15.8 percent). Other top sectors were non-oil mining & quarrying (+11.5 percent), social & community services (+9.4 percent), and manufacturing (+8.7 percent).
- Consumer prices in Saudi Arabia rose 1.6 percent YoY in February due to higher prices in transport (+4.3 percent) and food & beverages (+2.4 percent), according GASStat. Compared to last month, consumer prices grew by 0.3 percent.
- Wholesale prices in Saudi Arabia rose 11.5 percent YoY in February due to large increases in the price of basic chemicals (+60.3 percent) and refined petroleum products (+21.4 percent). Compared to January, wholesale prices rose 0.8 percent and were driven higher by general-purpose machinery (+3.9 percent) and food products (+1.5 percent).
- The Saudi Central Bank (SAMA) raised key interest rates by 25 basis points, increasing the repo rate to 1.25 percent and the reverse repo rate to 0.75 percent. The move follows the U.S. Federal Reserve's decision last week to raise interest rates by the same margin.
- Cargo volume at Saudi ports rose 24.4 million tons, or 17.5 percent YoY, in February. Transshipments rose 3.4 percent YoY. While oil exports and motor vehicle imports picked up strongly, other segments such as food and livestock volumes have slowed. Foodstuff volumes declined 2.1 percent YoY to reach 1.6 million tons due in part to global supply chain delays.

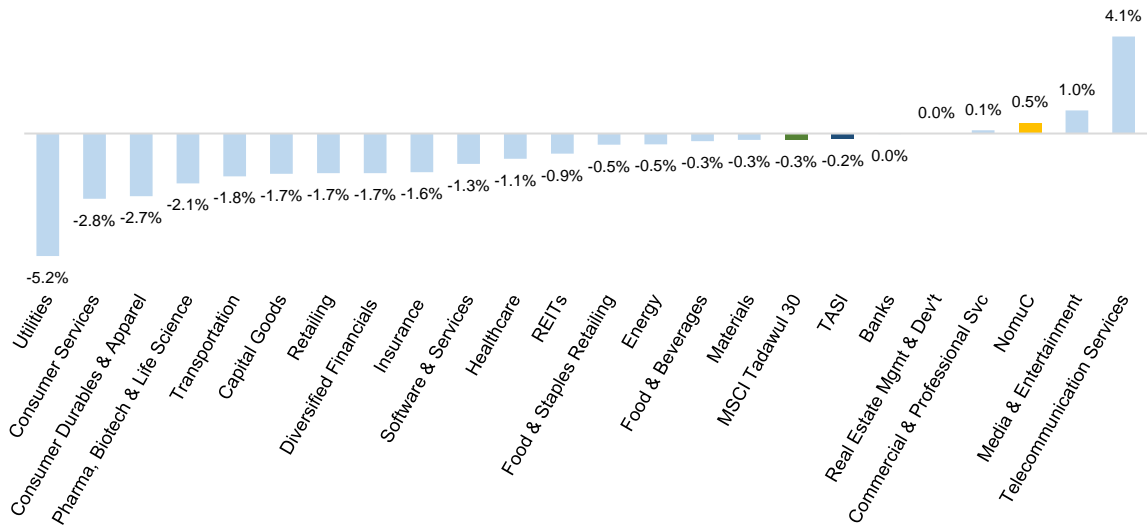


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Tadawul

The TASI fell 0.2 percent last week and closed at 12,656 points. ‘Telecommunication Services’ led other sectors with a 4.1 percent gain followed by ‘Media & Entertainment’ and ‘Commercial & Professional Services,’ which rose 1 percent and 0.1 percent, respectively. Most other sectors fell, led by ‘Utilities,’ which dropped 5.2 percent. The NomuC parallel market index rose 0.5 percent while the MSCI Tadawul 30 lost 0.3 percent and closed the week at 1,789 points.

Tadawul Weekly Index Performance - March 18, 2022



Source: Tadawul, USSBC

Business, Trade, & Investment

- Taiwan's Foxconn Technology proposed a plan to build a SAR34 billion (\$9 billion) multipurpose manufacturing facility at NEOM in Saudi Arabia, according to the Wall Street Journal. The plan, which includes the manufacturing of electric vehicle components, wafer fabrication, and other electronic display devices, is under consideration by Saudi government officials.



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- U.S. oilfield services company Schlumberger announced the receipt of a major gas drilling contract from Saudi Aramco. The project scope encompasses integrated drilling works and well construction services as a continuation of Schlumberger's gas development works in the region.
- Saudi Arabia's Ministry of Investment signed an agreement with Amazon to build local capabilities and attract sustainable investment practices to the Kingdom. Amazon established a presence in Saudi Arabia in 2020 after the acquisition of Souq.com and has since expanded its in-country delivery network.
- Perma-Pipe International Holdings announced SAR58 million (\$15 million) in new contracts in Saudi Arabia and Egypt. The new projects in the Kingdom include infrastructure developments at King Salman Park, Security Forces Medical City and King Abdullah International Gardens in Riyadh.
- Saudi Arabia plans to unveil 60 water projects worth SAR35 billion (\$9.3 billion), according to Saudi Water Partnership Company (SWPC). The projects are expected to triple the country's desalination capacity to 7.5mn cubic meters per day by 2027. Read more about the Kingdom's water sector strategy in [USSBC's Water Sector Report](#).

Banking

Weekly money supply M1 and M2 fell 0.8 percent and 0.1 percent, respectively, while M3 rose 0.3 percent during the week ending March 10.

U.S. MARKETS

U.S. Macroeconomic Developments

- The Federal Reserve raised the federal funds rate by 25 basis points to a target range between 0.25 percent and 0.5 percent. It was the first rate hike since 2018. FOMC projections showed up to six rate increases are expected for this year. The Fed also noted that the current economic outlook remained "highly uncertain" amid the war in Ukraine.
- U.S. retail sales rose 0.3 percent YoY in February as rising inflation limited purchasing power. Gasoline sales recorded the biggest increase (+5.3 percent YoY). Excluding gas stations, retail sales fell 0.2 percent. As COVID infections eased, sales rose at sporting goods, clothing, and building materials stores but declined at health and furniture retailers.



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- U.S. housing starts surged 6.8 percent MoM to a 1.769-million-unit pace in February, the highest since June 2006. Starts rebounded from an upwardly revised 5.5 percent decline in January and came in well above market expectations. Warmer weather, reduced Omicron cases, and low current inventories spurred homebuilding in February.

Fixed Income

The yield on the ten-year U.S. Treasury rose to 2.14 percent.

Equity Markets

The Dow Jones Industrial Average (DJIA) rose 5.5 percent and finished the week at 34,755 points. The S&P 500 gained 6.2 percent and finished at 4,463 points while the NASDAQ rose 8.2 percent and finished at 13,894 points. U.S. equities posted the best week in more than a year after a prolonged selloff in recent weeks.

GLOBAL MARKETS

- Arab Light crude rose 0.6 percent and finished the week at \$109.17. Global benchmark Brent crude meanwhile fell 4.2 percent and finished the week at \$107.93 while West Texas Intermediate (WTI) lost 4.2 percent and closed at \$104.70. Volatility in oil markets persisted last week as talks of a Russia-Ukraine ceasefire faded and ongoing negotiations for a new Iran deal have stumbled. It was also reported that Saudi Arabia would consider pricing oil sales to China in yuan, a significant move that would potentially impact the U.S. dollar's dominance in the global petroleum market.
- China's industrial production rose 7.5 percent YoY in January-February, exceeding market consensus expectations of a 3.9 percent gain. The combined two-month figure was the fastest pace since June 2021 as China's industrial economy gained momentum to start the year. Manufacturing and mining output both accelerated, led by chemical products (+4.9 percent), automobiles (+7.2 percent), and general equipment (+5 percent). Textiles and non-metal minerals also saw sizeable pickups in production.
- Germany's wholesale price inflation rose to a record 16.6 percent YoY in February, up from 16.2 percent in January. Sharp increases in raw materials and intermediate products such as metals, mineral oil, and timber drove producer prices higher. The February survey was mostly conducted prior to the full outbreak of war in Ukraine. The closely watched ZEW economic sentiment index for Germany plummeted to -39.3 points in March, the lowest since the beginning of the COVID-19 pandemic, amid "stagflation" concerns and elevated geopolitical tensions.



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THE WEEK AHEAD

- Saudi Arabia releases international trade figures for January on March 24
- U.S. releases durable goods orders for February on March 24
- U.S. releases consumer sentiment index for March on March 25