



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

Weekly Market Brief
Week Ending May 27, 2022

SAUDI ARABIAN MARKET

Saudi Arabia Macroeconomic Developments

- Oil exports from Saudi Arabia rose 36 percent MoM (+123 percent YoY) in March to reach SAR114 billion (\$30.4 billion). Non-oil exports (excluding re-exported goods) from the Kingdom rose 11 percent MoM (+30 percent YoY) to reach SAR24.1 billion (\$6.4 billion). Chemical exports accounted for 37 percent of Saudi non-oil exports and an increasing share of total Saudi exports. China remained the Saudi Arabia's top trade partner.
- Saudi exports to the U.S. rose 51 percent MoM (+153 percent YoY) while Saudi imports from the U.S. declined 9.6 percent MoM (-8.2 percent YoY). The U.S. remained the second largest source of Saudi imports in March and fifth largest destination for Saudi exports as U.S. demand for oil and non-oil goods from the Kingdom grew.
- The World Bank raised its economic growth forecast for Saudi Arabia to 7 percent, from 4.9 percent, due to stronger oil output. The World Bank also cited continued expansion of non-oil sectors and growth in domestic consumption as key supports for higher growth in the Kingdom.
- Saudi Arabia is considering cutting the value-added tax (VAT) after government reserves are replenished, according to the Minister of Finance. The VAT rate was raised to 15 percent from 5 percent in July 2020. The government is reportedly replenishing SAR1 trillion (\$268 million) from reserves spent over the previous five years.

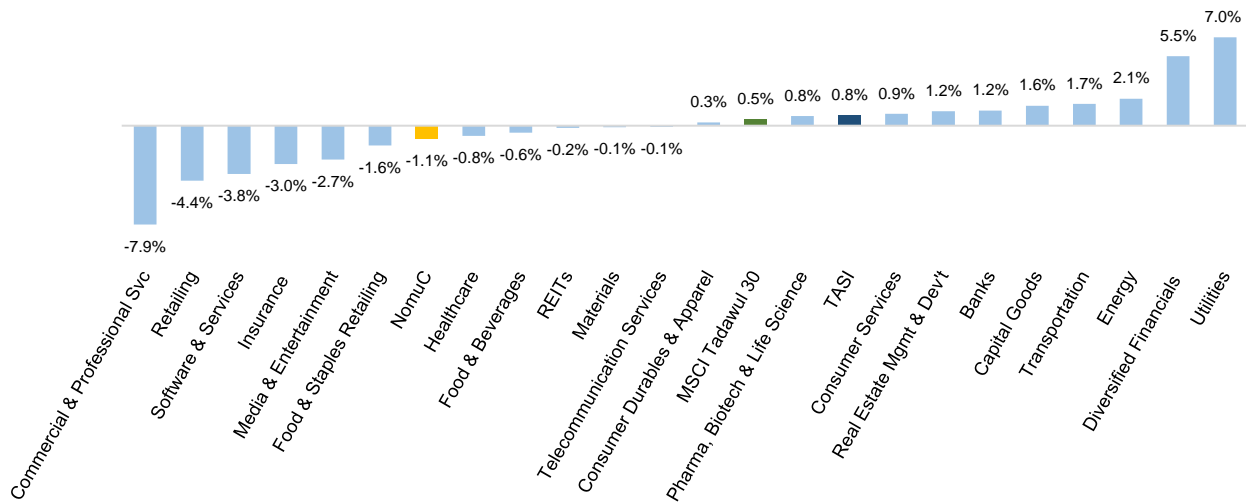


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Tadawul

The TASI rose 0.8 percent last week and closed at 12,530 points. ‘Utilities’ bounced back from last week with a 7 percent gain. ‘Diversified Financials’ was up 5.5 percent followed by ‘Energy’ and ‘Transportation’ which rose 2.1 percent and 1.7 percent, respectively. The NomuC parallel market index lost 1.1 percent while the MSCI Tadawul 30 gained 0.5 percent and closed the week at 1,737 points.

Tadawul Weekly Index Performance - May 27, 2022



Source: Tadawul, USSBC

- Rawabi Energy will seek up to SAR1.9 billion (\$500 million) ahead of a planned initial public offering (IPO) on the Tadawul exchange later this year. The firm is working with New York-based investment bank Evercore in preparation for the funding.



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Business, Trade, & Investment

- Saudi Aramco is reportedly in talks to acquire U.S. firm Valvoline's lubricants business, according to the Wall Street Journal. Valvoline stated last year it would seek to separate its retail services from operations for global products such as lubricants.
- Saudi-based venture capital firm 8020 Capital launched a SAR38 million (\$10 million) business accelerator targeting technology firms. The firm was established from the Startup Studio program in Silicon Valley and aims to support startups in Saudi Arabia and the U.S.
- The Public Investment Fund (PIF) announced it would buy 625 million shares at SAR9.09 (\$2.42) in Kingdom Holding Co., totaling SAR5.8 billion (\$1.5 billion). The transaction accounts for a 16.9 percent stake in the investment firm owned by Prince Alwaleed bin Talal.
- STC signed a joint venture partnership with China's Alibaba to establish a cloud computing services firm with a capitalization of SAR894 million (\$238 million).
- Google plans to launch two new headquarter offices in Riyadh and Dammam. The U.S. tech giant is also building a data partnership with Saudi Aramco. Google stated it drove an estimated SAR12.2 billion (\$3.25 billion) in economic activity in Saudi Arabia in 2021 and supported 29,000 jobs.
- World Wrestling Entertainment (WWE) announced its return to Saudi Arabia for the 'Crown Jewel' event in November 2022. The event will mark the fourth annual trip to Saudi Arabia after signing a 10-year strategic partnership in 2018.
- China's Longi was awarded a contract to supply 400 MW capacity of photovoltaic (PV) solar panels for the Rabigh solar project in Saudi Arabia. The Rabigh PV IPP is due to be completed in 2023.
- The Ministry of Industry and Mineral Resources (MIMR) launched its second licensing round for local and international mining companies to participate in exploration projects. The licensing round is focused on exploration in Umm Ad Damar which covers 40 square kilometers and includes copper, zinc, gold, and silver.
- The Saudi Film Commission stated films shot either partially or fully in Saudi Arabia can apply for a 40 percent cash rebate on production costs. Saudi Arabia hosted major U.S. film productions 'Kandahar' and 'Desert Warrior' in Tabuk Province over the past year and is seeking to further promote the Kingdom as a destination for international productions.



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Banking

Weekly money supply M1, M2, and M3 fell 0.3 percent, 0.5 percent, and 0.5 percent, respectively, during the week ending May 19.

U.S. MARKETS

U.S. Macroeconomic Developments

- FOMC meeting minutes showed most Fed policymakers support 50 basis point increases in the federal funds target range at the next two meetings. The central bank raised interest rates by 50 basis points during its May meeting, the second consecutive rate hike and the biggest rise in borrowing costs since 2000, aiming to reduce rising inflation.
- Durable goods orders rose 0.4 percent MoM in April to reach \$265.3 billion. Orders increased for capital goods (+0.7 percent), transportation equipment (+0.6 percent), machinery (+1 percent), and primary metals (+0.6 percent). Non-defense capital goods rose 0.3 percent.
- U.S. GDP contracted 1.5 percent YoY during Q1 2022, according a second estimate from the Department of Commerce. The revised figure was slightly worse than initial estimates of a 1.4 percent decline. The biggest drag on GDP was lower U.S. exports. Imports meanwhile surged and set record levels as consumer spending remained strong. Housing investment grew less than initially forecasted (0.4 percent revised vs. 2.1 percent initial).

Fixed Income

The yield on the ten-year U.S. Treasury fell to 2.7 percent.

Equity Markets

The Dow Jones Industrial Average (DJIA) rose 6.2 percent and finished the week at 33,213 points. The S&P 500 gained 6.6 percent and finished at 4,158 points while the NASDAQ rose 6.8 percent and finished the week at 12,131 points.



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GLOBAL MARKETS

- Arab Light crude rose 4.1 percent and finished the week at \$113.91. Global benchmark Brent crude gained 6.1 percent and finished the week at \$119.43 while West Texas Intermediate (WTI) rose 1.6 percent and closed at \$115.07. U.S. energy firms cut oil and gas rigs last week for the first time in nearly eight months. The rig count stood at 727 and was up 59 percent YoY. Over the weekend, the EU agreed on a partial ban of Russian oil purchases that would cover an estimated two-thirds of Russian crude imports.
- China's official NBS manufacturing PMI rose to 49.6 points in May, outpacing market expectations and bouncing back from a 26-month low. The headline figure still indicated a contraction in factory activity but at a slower rate as Shanghai and Beijing loosened some COVID-19 restrictions.
- Eurozone annual inflation hit 8.1 percent, the highest since the Euro's creation in 1999. The war in Ukraine has driven food and energy inflation to new highs. Excluding energy, annual inflation came in at 4.6 percent, still well above the ECB target of 2 percent.

THE WEEK AHEAD

- U.S. releases May manufacturing PMI on June 1
- U.S. releases May unemployment report on June 3
- Saudi Arabia PMI is released by S&P Global on June 5