



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

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Weekly Market Brief  
*Week Ending September 23rd, 2022*

**SAUDI ARABIAN MARKET**

**Saudi Arabia Macroeconomic Developments**

- Saudi Arabia's gross domestic product is expected to grow at the highest rate in 10 years, to 7.5 percent in 2022, as the country steadily recovers from the pandemic, according to credit rating agency S&P. S&P also updated its outlook for Saudi Arabia to positive and assessed the Kingdom's short and long-term foreign and local currency sovereign credit ratings to A-/A-2.
- The Saudi Central Bank (SAMA) raised its reverse repo rate by 75 basis points (bps) to 325 bps from 250 bps. It also lifted its repo rate to 375 bps (3.75%) from 300 bps. The rate hike is the fifth this year, as the central bank raised rates in March, May, June and July. SAMA follows the interest rate moves of the U.S. Federal Reserve due to the SAR-USD peg.
- Saudi Arabia's holdings of U.S. treasuries grew by SAR9 billion (\$2.4 billion) MoM to SAR32.4 billion (\$121.6 billion) in July, data released by the U.S. Treasury showed. The Kingdom maintained its 16th place among the largest holders of U.S. debt in July.
- Saudi Arabia's July crude oil exports gained for a second straight month to their highest in more than two years, data from the Joint Organization Data Initiative (JODI) showed. Saudi Arabia's exports rose 2.5 percent to 7.38 million barrels per day (bpd) in July, the highest since April 2020, from 7.20 million bpd in June.
- The Kingdom's total exports jumped 59 percent YoY to SAR140.8 billion (\$37.5 billion) in July. Similarly, imports climbed 18 percent YoY to SAR55.1 billion (\$14.7 billion) during the same period.
- Saudi Arabia's non-oil exports increased by 26.4 percent to SAR26.7 billion (\$6.94 billion) YoY in July 2022, according to the latest data released by the General Authority for Statistics. The Kingdom's non-oil exports were driven by chemical and allied industries that accounted for 35.9 percent of non-oil merchandise exported in July.



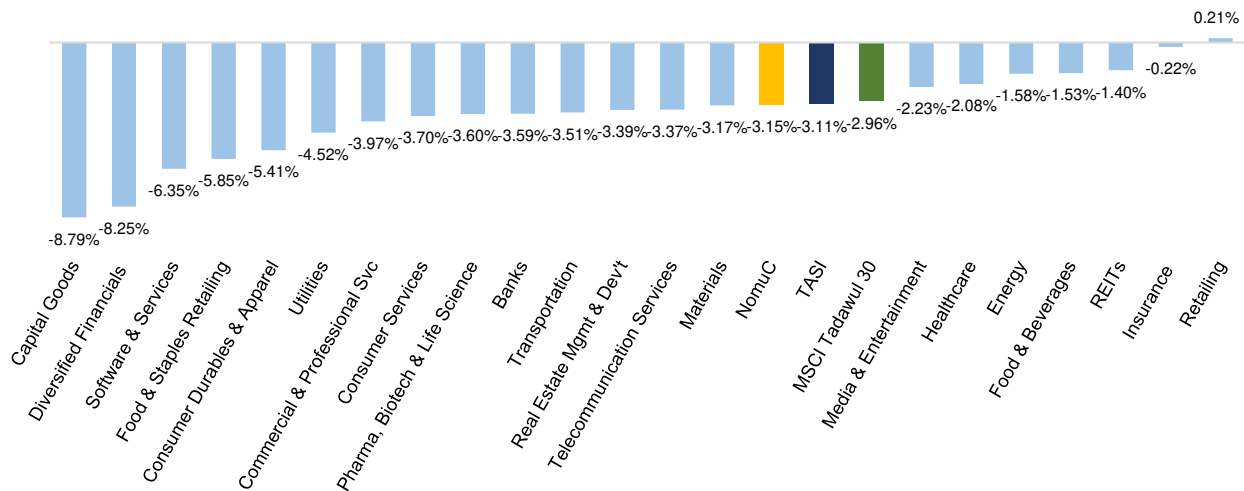
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- The Kingdom’s aggregate Point of Sale (POS) transactions shrunk by 3.3 percent last week, totaling SAR10.2 billion (\$2.72 billion), driven by a decrease in education spending. Of the 17 sectors, 11 saw a decline in their weekly POS, with the aggregate week-by-week drop amounting to SAR344.2 million (\$92 million).

### Tadawul

The TASI declined 3.1 percent last week and closed at 11,829 points. ‘Retailing’ was the only sector that finished in positive territory. ‘Capital Goods’ dropped the most with an 8.8 percent fall, followed by ‘Diversified Financials’ and ‘Software & Services,’ which declined 8.3 percent and 6.4 percent, respectively. The NomuC parallel market index slipped by 3.2 percent while the MSCI Tadawul 30 fell by 3 percent and closed the week at 1,588 points.

Tadawul Weekly Index Performance - September 23, 2022



Source: Tadawul, USSBC

- The Tadawul was closed last Thursday in observance of the Saudi National Day holiday.



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### Business, Trade, & Investment

- Saudi ports witnessed a record-breaking performance during the first eight months of 2022, handling 212.4 million tons of freight compared to 187 million tons during the same period of the previous year. General cargo volumes were up 8.93 percent to reach 5.7 million tons, whereas dry bulk cargo rose 7.16 percent to 32.7 million tons.
- Saudi Aramco has signed an agreement valued at \$250 million with Beyond Limits, a California-based artificial intelligence technology company, to build a global AI corridor.
- Perma-Pipe International Holdings, Inc. announced its Saudi Arabian subsidiary has recently been awarded a contract for SAR52.5 million (\$14 million) for the King Salman Park Project. The project is expected to be executed in the fourth quarter of 2022.

### Banking

Money supply M1 declined by 0.20 percent while M2 grew by 0.18 percent. M3 dropped by 0.05 percent during the week ending September 15.



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## U.S. MARKETS

### U.S. Macroeconomic Developments

- Total housing starts jumped 12.2 percent to a 1.58-million-unit pace during August. Total starts in July were revised slightly lower with most of the downward revision coming in multifamily starts. Single-family starts rose 3.4 percent during the month, ending a five-month streak of declines.
- The FOMC hiked the fed funds target range by 75 bps, as was widely expected, but delivered a more hawkish projected path for short-term rates through this year and next. The FOMC sees rates staying high through next year, with the median estimate for the fed funds rate ending 2023 at 4.6 percent.
- The Leading Economic Index (LEI) declined 0.3 percent in August, which caused the six-month average change in the index to slide to -0.46 percent last month. The longest lead time in which the average change has fallen below this threshold before the start of a recession has been four months, leading into the 1980 recession.

### Fixed Income

The yield on the ten-year U.S. Treasury rose to 3.69 percent.

### Equity Markets

The Dow Jones Industrial Average (DJIA) declined 4 percent and finished the week at 29,590 points. The S&P 500 dropped 4.65 percent and finished at 3,693 points while the NASDAQ dipped 5.07 percent and finished the week at 10,868 points.



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## GLOBAL MARKETS

- Arab Light crude decreased 0.48 percent and finished the week at \$94.22. Global benchmark Brent crude lost 5.7 percent to reach \$86.15 while West Texas Intermediate (WTI) fell 7.5 percent and closed at \$78.74. Oil prices plunged to an eight-month low as the U.S. dollar hit its strongest level in more than two decades and on fears that rising interest rates will tip major economies into a recession.
- The annual inflation rate in Japan rose to 3.0 percent in August 2022, the highest level since September 2014, on the back of rising food and raw materials as well as yen weakness. Core consumer prices increased by 2.8 percent YoY, the most since October 2014. The figure came in above forecasts of 2.7 percent as well as the Bank of Japan's 2 percent target for a fifth straight month. On a monthly basis, consumer prices went up 0.4 percent in August, after a 0.5 percent increase in July.
- The Bank of England raised its key interest rate by 50bps to 2.25 percent during its September 2022 meeting, the 7th consecutive rate hike, and pushing borrowing costs to the highest since 2008. The central bank also voted unanimously to reduce the stock of purchased UK government bonds, financed by the issuance of central bank reserves, by £80 billion over the next twelve months.

## THE WEEK AHEAD

- U.S. releases durable goods orders for August on September 27
- U.S. releases new home sales on September 27
- Saudi Arabia releases labor market statistics for the second quarter on September 29