

IN THIS EDITION ...

Saudi Arabia is forging closer trade and investment ties with some of its key trading partners.

Data from Invest Saudi, a unit of the Ministry of Investment, shows the country attracted SAR 6.5 billion in foreign direct investment (FDI) in the third quarter of 2021, a 61.1% increase over the previous period. That takes FDI in the first nine months of 2021 to USD 15.5 billion, as efforts to transform the economy in line with Saudi Vision 2030 lure investors.

In March, the Saudi-US Business Forum, which featured American and domestic companies, discussed the role international investors play in the realisation of Saudi Vision 2030.

Calling the kingdom a “land of opportunities,” and a leading international destination for investments from across the world, acting secretary general Hussein Al-Abdulqader of the Federation of Saudi Chambers tackled the significance of US investments, especially in the areas of energy, renewable energy, industry, agriculture, mining, tourism, entertainment, healthcare, transport and logistics services, ICT, and financial services.

American and international companies are already paying attention to the spate of investment and business opportunities in the kingdom. In March, the Saudi Ministry of Defence signed 23 deals valued at SAR 13 billion. These included a SAR 2 billion contract with US aerospace conglomerate Raytheon Technologies and another valued at SAR 1 billion with Lockheed Martin.

Saudi Arabia is also locking in long-term deals in the oil and gas sector. Saudi Aramco took a final investment decision for a major integrated refinery and petrochemical complex in Northeast China. The project, which presents an opportunity for Aramco to supply up to 210,000 barrels per day (bpd) of crude oil feedstock to the complex, is expected to be operational in 2024.

It will combine a 300,000 bpd refinery capacity and ethylene-based steam cracker, a building block petrochemical used to manufacture thousands of everyday products.



ECONOMIC TRENDS

With a purchasing managers' index score of 56.2, the country has shown that business activity has been expanding at a rapid pace this year.

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AVIATION

Policies are providing fresh impetus for the country's travel and logistics sector to attract more tourists and investors in the near future.

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VISION 2030

Development of several large-scale initiatives has continued unabated, while the country's sovereign wealth fund remains steadfast in casting its net wider.

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COMMODITIES

As global investors dig deep for good dividends, the kingdom's mining sector offers enormous potential waiting to be explored.

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SME

The aid, offered as credit facility in financial institutions, will further ensure small businesses have the capability to bounce back from the pandemic.

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CURRENCY

The United States raised its rates amid skyrocketing inflation, prompting the kingdom's central bank to lift its rates also by 0.25%.

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SAUDI PMI: ECONOMY BRIMMING WITH OPTIMISM



Saudi business and investor sentiment strengthened in February, amid high commodity prices and upbeat outlook for the economy.

The [IHS Markit](#) Saudi Arabia Purchasing Managers' Index (PMI) rose three points from 53.2 in January to 56.2 in February, signalling a strong improvement in operating conditions, which was the fastest recorded for three months.

"The latest PMI figures confirmed that the impact of the Omicron wave on the non-oil economy was only mild," said David Owen, economist at IHS Markit. "Following two months of relatively soft (but still positive) growth, momentum rebounded strongly in February as cases began to fall. Overall sales picked up at the quickest rate since last November, despite a further slight fall in export demand, while activity growth moved closer to the peak levels seen towards the end of last year."

With total new business growth strengthening, non-oil activity expanded to a greater degree in February. Firms were generally able to raise output in line with client demand, leading to a modest decrease in backlogs of work. Notably, this was in spite of only a mild uplift in employment numbers and some reports of staff shortages linked to the pandemic.

"Signs of improving market conditions meant that business optimism was at its highest since January 2021, as firms expect demand growth to remain robust and the impact of the pandemic to subside," Owen said. "Reflecting this optimism, companies raised purchasing activity at the fastest rate since May 2019, aided by a strong improvement in supply chain performance."

SUPPLY SQUEEZE EASES

Global supply chains issues are also slowly untangling, with Saudi firms reporting that vendors were able to deliver more quickly, which led to the strongest improvement in supplier performance since October 2019, according to [IHS](#).

Firms sought to capitalise by raising their input purchases sharply and at the quickest rate in nearly three years, in line with efforts to meet current demand and accumulate stock for future sales. Input inventories rose sharply, albeit to the least extent for three months, the research agency noted.

"Finally, business confidence regarding future activity picked up to the highest since January 2021, amid hopes that market conditions will improve as the country emerges from the Omicron wave and client orders will continue to strengthen," IHS noted.

ECONOMIC AND TRADE UPTURN

Saudi's economy is gaining momentum with a 6.8% increase in GDP in the fourth quarter of 2021 compared to the same period in 2020. Oil price's rally propelled the economy, as oil GDP rose by an impressive 10.8%. Non-oil GDP also remained strong, expanding by 5% during the fourth quarter amid rising economic activity, according to the [General Authority for Statistics and Information](#) (GASTAT).

In a sign of an uptick in economic activity, consumer spending surged 8.4% year on year in January, and by 0.2% month on month. Point-of-sale transactions rose 17%, although cash withdrawals slipped 4.3% year on year, according to [Saudi Arabian Central Bank's](#) monthly report.

Even before the latest surge in crude oil prices, Saudi exports were in the midst of strong growth.

Merchandise exports surged 78% in the fourth quarter of 2021 compared to the same period in 2020 when COVID-19-related lockdowns slowed down global economic growth.

Latest available data from [GASTAT](#) indicated that the value of exports reached SAR 320.5 billion in the fourth quarter, compared to SAR 180 billion during the same period in 2020. Oil exports led the gains, rising by SAR 119.2 billion or 98% during the period, with the share of oil exports rising to 75.1% compared to 67.5% before.

Non-oil exports also jumped 36.3% year on year in the fourth quarter, reaching SAR 79.8 billion. Non-oil exports was led by chemical products, which rose 72.7% to SAR 10.9 billion and accounted for nearly a third of all non-oil exports. Plastics and rubber products increased 32.5% and made up 30.6% of the total.

Meanwhile, merchandise imports rose 10.1% to SAR 151.1 billion in the quarter.

LOW INFLATION

Inflation is emerging as an area of concern globally, but it remains mild in the kingdom.

Consumer price index in January rose 1.2% in January compared to the same period last year, led by transport, and food and beverage.

Transport prices increased by 4.9%, mainly due to a 34.5% increase in gasoline prices, according to [GASTAT](#).

"Transport prices were the main driver of the inflation rate in January 2022 due to their high relative importance in the Saudi consumer basket (with a weight of 13.0%). Food and beverages prices increased by 2.0%, mainly due to the increase in food prices by 2.3%, in particular, vegetable prices by 10%," the statistics agency said.

TRANSFORMATION: SAUDI AIRPORTS SPREAD THEIR WINGS



The General Authority of Civil Aviation (GACA) and its affiliate [Matarat](#) Holding Company have completed the institutional transformation of 25 airports, as part of an overarching strategy to upgrade Saudi's logistics and travel sector.

The two entities also launched Jeddah Airports Company and Cluster 2 to raise aviation service standards in the country. The major initiatives are part of the authorities' objectives to develop Saudi as a global logistics centre, link three continents, attain the 5th ranking in global airport transit traffic, and secure the 10th spot in the index of logistics services.

INCREASING COMPETITIVENESS

The institutional transformation aims to increase the rate of competitiveness and productivity between airports, improve financial returns, and raise the operational efficiency of Saudi airports, said Eng. Sulaiman bin Ahmed Al-Bassam, advisor to [GACA](#) President for Governance and Executive Projects.

"This in addition to raising the capacity of the kingdom's airports to more than 330 million passengers per year, and to increase the capacity of air cargo to 4.5 million tonnes per annum, and achieve the 5th rank – globally – in air connectivity for passengers across 250 global destinations," Al-Bassam said.

Jeddah Airports' establishment is part of the assets transfer and institutional transformation programme for the kingdom's airports. It will

assume responsibility for operating and managing King Abdulaziz International Airport in Jeddah, equipping it with modern facilities, and developing a regional and international airport.

"Jeddah Airports will work on developing King Abdulaziz International Airport to become a diversified economic gateway, and operate it with the state-of-the-art equipment and advanced services, with a new and innovative modern concept, to enhance passengers' experience, to be an iconic interface for visitors to the kingdom, and an important global hub, through its connection to the international airports network," said Eng. Mohammed Al-Mowkley, CEO of Matarat Holding.

Meanwhile, the Airports Cluster 2 Company will manage and operate 22 of the kingdom's airports, offering best-of-class passenger and cargo services.

GACA established Matarat Holding in 2013 to transform and promote Saudi airports by privatising the industry. Matarat's key aims are to make Saudi airports a hub of innovative customer experience, a gateway to operational efficiency and revenue generation, and a platform for open collaboration.

TOURISM SECTOR

Upgrading the aviation sector is part of efforts to create an ecosystem conducive to tourism in the kingdom. Earlier this year, [Ahmed Al Khateeb](#), minister of tourism, unveiled a three-year Digital Tourism

Strategy to further reform the sector, and tap into the country's potential as a leisure and business travel hub.

"We must embrace the opportunities that the digital era presents us. We are welcoming the most innovative, disruptive minds in the world, to create better digital tourism regulations. We want travellers and investors to have certainty that smart regulations are being adopted across the sector," [Al Khateeb](#) said. "Saudi Arabia will continue to pioneer and lead these efforts at a national and global scale, ultimately creating more jobs, more prosperity, and bringing more visitors into the kingdom."

The ministry's digital tourism programme features 31 core initiatives by 2025, to accelerate the National Tourism Strategy and Vision 2030 targets, which include goals such as 100 million new visits, and tourism accounting for 10% of Saudi's GDP.

Some of the programme initiatives aim to create seamless travel, put in place digital solutions to simplify travel procedures, launch a unified platform to connect tourism service providers and applications, and create an environment that will allow technology innovators to test new digital tourism solutions.

Other initiatives include supporting virtual or augmented reality tourism, and gathering analytics to create custom tourism products and services based on visitors' preferences.

Another vital component was to create a new generation of tourism professionals and entrepreneurs. The ministry launched its tourism training and education e-portal last year, with registrations exceeding 226,000. The platform assisted in the training and upskilling of more than 110,000 employees and jobseekers so far.

The ministry's strategy is aligned with entities across the country's tourism ecosystem, including the Saudi Tourism Authority and the Tourism Development Fund, and has been endorsed by the UNWTO, World Bank, and digital partners such as Microsoft and Cisco.

In addition, the kingdom has expanded its global presence, with Saudi Tourism Authority setting up 12 international offices across seven key markets.

VISION 2030 PROJECTS IN FULL SWING

A new mountain resort is set to rise on Saudi Arabia's west coast as the Vision 2030 project rollout continues unabated.

[Trojena](#) is part of the sprawling NEOM smart city development, which will support the kingdom's nascent tourism sector, taking advantage of the north-western region's breathtaking mountainous landscape.

A key feature of Trojena will be outdoor skiing, making it the only area in the Gulf region offering such entertainment.

"Amateurs and professionals alike will be able to enjoy the many ski runs of various difficulties with an array of contrasting and breathtaking views. The blue waters of the Red Sea, beauty of the NEOM mountain ranges and the golden desert sand dunes will provide skiers a first-of-its-kind experience that combines these diverse environments with fun-filled and adventurous moments," according to the project developer [NEOM](#).

The new year-round tourist destination will consist of various facilities such as a ski village, ultra-luxury family and wellness resorts, retail stores and restaurants, an interactive nature reserve, as well as sports amenities dedicated to skiing, water sports, and mountain biking. The project is set for completion by 2026.

PIF EXPANDS GLOBAL FOOTPRINT

In another move to expand Saudi Arabia's global footprint, the [Public Investment Fund](#) (PIF) said it is launching three new subsidiary companies with offices in London, New York, and Hong Kong.

The sovereign wealth fund's international expansion is part of its Strategy 2021-2025, which aims to grow its assets under management to USD 1.07 trillion by the end of 2025, while continuing to create new sectors, companies, and jobs.

In another vital move in achieving its 2030 goals, [Crown Prince Mohammed Bin Salman Al Saud](#), deputy prime minister, chairman of the Council of Economic and Development Affairs, and chairman of the board of directors of the PIF, has announced the transfer of 4% of Saudi Arabian Oil Company's (Aramco) shares to PIF.

"The kingdom remains committed to continuing the implementation of its financial and economic reforms and expanding the investment opportunities available to public development funds and the private sector to enable the realisation of Vision 2030 targets," according to a [PIF](#) statement.



The PIF's 2025 and overarching 2030 plans have been lauded by international credit ratings agencies, with [Moody's Investors Service](#) and Fitch Ratings awarding investment grade ratings to the fund in February.

Global credit rating agency Moody's assigned PIF with a first-time issuer rating of A1 and a scorecard indicated rating of Aa2, with a stable outlook, while Fitch assigned PIF with a long-term issuer rating of A, with a stable outlook.

Indeed, [Moody's](#) singled out the strategic importance of PIF to the kingdom as one of the main vehicles for achieving the Vision 2030 objectives. The rating agency also lauded the PIF's total assets of SAR 1.24 trillion as of December 2020, underpinned by a steady dividend income stream and a high-quality investment portfolio; sector diversification, with investments across several different sectors both locally and internationally; very strong financial profile with very low leverage and very high interest coverage; and an excellent liquidity profile.

PROJECTS RAMP UP

The 2030 targets are ambitious and are already creating a flurry of construction activity in the Saudi economy. Research house [MEED](#) estimates the 2030 goals entail projects valued at USD 1.18 trillion by 2030, which suggests authorities must place an estimated USD 569

billion of construction contracts by 2025. It will require a strong public-private partnership to realise the country's goals.

"The move to deliver projects through partnerships between government sponsors and contractors will entice international players back into the market," [MEED](#) noted. "Riyadh has shown that it is ready to innovate. Legislative updates, such as limiting government contracts to Saudi-headquartered companies and the newly launched public-private partnership law, are significant changes in the market."

The kingdom has already blazed a trail as it ticks off the diverse range of large and small 2030 goals. These include launching the country's first cinema; planning to undertake the world's largest reforestation programme; raising the number of entertainment venues in the kingdom to 277; organising more than 2,000 entertainment, musical, cultural, and sports events, which were attended by 46 million people.

The country is now pursuing large-scale initiatives, such as the National Industrial Development and Logistics Program, Financial Sector Development Program, Housing Program, and Privatisation Program.

MINING SECTOR TAKES CENTRE STAGE IN SAUDI'S ECONOMIC PLAN



Saudi Arabia's mining sector is working on [38](#) major initiatives to tap the country's vast minerals potential.

The [Arabian Shield](#) rocks cover an area of 630,000 square kilometres, equal to almost one third of the kingdom's total land area and boast rich reserves of metal minerals, such as gold, silver, copper, foil, iron, and other rare and radioactive elements, according to Prof. Abdulaziz bin Labon, chairman of the Saudi Geologists Cooperative Association.

A previous mineral exploration by the authorities showed at least 5,300 locations of various minerals, metal, and non-metal rocks, building materials, decorative rocks, and gemstones. All told, Arabian Shield has a potential value of USD 1.3 trillion across 48 commodities.

"The mining sector now contributes some USD 17 billion to the GDP, where the Kingdom of Saudi Arabia is willing to triple this number by 2030, referring to the importance of holding such conferences to

exchange expertise, boost benefits in the sector and seek to develop modern mining industries, expressing hope for the event to realise envisioned goals," according to Khalid bin Abdulaziz Al-Falih, minister of investment.

Saudi Arabia is hoping the mining sector could attract USD 170 billion of investment by 2030, according to Bandar Alkhorayef of the [Saudi Ministry for Industry and Mineral Resources](#).

LURING INVESTORS

The kingdom is also increasing the sector's competitiveness through a series of laws and regulations.

In 2020, the Saudi government approved a new mining law to accelerate foreign investment and diversify the economy.

"The new law facilitates investor access to financing and supports exploration and geological survey activities. The new law will streamline investor access to capital and boost geological survey and exploration activities to tap into the country's unused mineral resources," according to [the United Nation's](#) investment policy document.

Some of the new mining law's key policies include the establishment of a national geological database and a "Mining Fund" to support the sector, as well as the introduction of certain financial incentives for investors and the streamlining of procedure for obtaining mining licenses.

"It is expected that such amendments shall have an extraordinary lucrative impact on the mining sector once it is implemented," according to law firm [Hazim Almadani](#). "This would make the mining sector as a third pillar of the Saudi industry. It is also expected that the mining sector would boost its contribution to the gross domestic product (GDP), in addition to increasing the job opportunities in this sector, depending upon the availability of the mineral resources, growth of local demand, and to have an enhanced export of the gold and precious metals to the world markets."

To accelerate geological exploration and attract investments in the mining sector, the kingdom has made geological data available through the General Program for Geological Survey, which has already resulted in the issuance of 75 new exploration licenses after launching the new Mining Investment Bylaw in January 2021, according to the [Saudi Press Agency](#).

Over the past six years, the [Ministry of Commerce](#) has recorded a 1,292% increase in the issuance of commercial records for the mining sector and quarrying-related activities, with the total number of commercial records issued in 2021 amounting to 1,365, while in 2015 only 98 were registered.

BUILDING BLOCKS OF A NEW INDUSTRY

The mining sector is vital in achieving a new sustainable economy. Copper, nickel, lithium, and cobalt are crucial for making batteries for electric vehicles and the electrification of power. As such, the kingdom is keen to tap this nascent sector.

In February, the Ministry of Industry and Mineral Resources unveiled the next steps associated with awarding the license for the [Khnaiguiyah](#) site, the kingdom's largest exploration area, covering more than 350 square kilometres. Located in Al Rayn Terrane, Khnaiguiyah forms part of the Arabian Shield.

Interested prospective investors are now enjoined to submit their expression of interest and complete a pre-qualification questionnaire (PQQ) by visiting the Khnaiguiyah Licensing Round on the ministry's website.

The award process will include three stages – qualification, proposal, and auction, which could feature multiple rounds. The ministry expects to conclude the award process in the second quarter of 2022.

The PQQ requests that prospective bidders submit will include customary information on their technical knowledge and experience, capacity, and financial standing.

"Extensive exploration work already has been carried out at Khnaiguiyah site, covering 100,000 metres drilled and a 3D geological model. The Saudi Geological Survey has confirmed the site's considerable geological potential of approximately 26 million tonnes of zinc and copper, both critical minerals for the global energy transition," according to the [ministry](#).

SAUDI CENTRAL BANK EXTENDS FINANCIAL LIFELINE TO SMES

In what is seen as an important move to support the country's businesses, the Saudi Central Bank (SAMA) has extended financing for the private sector for a full year.

[SAMA](#) extended the Guaranteed Financing Program – one of its private sector financing support programmes – for one more year until 14 March 2023 to micro, small and medium enterprises (MSMEs).

"This step is consistent with SAMA's mandate of promoting financial sector stability, supporting economic growth, and enhancing the Saudi Central Bank's support to MSMEs growth and to overcome challenges that arise from COVID-19 preventive measures," [SAMA](#) said.

MSMEs can benefit from the Guaranteed Financing Program through banks and financing companies that are subject to the supervision of the bank and are members of Kafalah, the Small and Medium Enterprises Funding Guarantee Program.

Since 14 March 2020, the programme has offered help to more than 13,000 businesses with total financing value surpassing SAR 11 billion.

Meanwhile, the Small and Medium Enterprises General Authority, or [Monshaat](#), is collaborating with King Abdulaziz City for Science and Technology to launch the National Business Innovation Portal, part of the National Innovation System Forum.

The portal provides entrepreneurs with the support tools necessary for their projects.

"The newly launched portal includes a set of specialised sections that guide business innovators through the stages necessary to bring a project to success, offer a search engine that reviews services provided by over 60 governmental and private entities in the kingdom and contain information resources dedicated to the Saudi innovation market," the [companies](#) said.

SUPPORTING DIGITAL START-UPS

[KACST](#) also recently launched "The Garage," an innovation hub to support emerging and disruptive technology based start-ups. The Garage enables cutting-edge technology start-ups by providing integrated services that include business incubation, mentorship programmes, enrichment activities, and an open area workspace.

The platform is the result of a multi-stakeholder partnership between KACST, the Ministry of Communications and Information Technology



(MCIT), and the Saudi Federation for Cybersecurity, Programming and Drones (SAFCSP). It will facilitate closely aligned activities and open access to KACST's labs, rapid prototyping facilities and specialised capabilities that will provide additional support and technical services to entrepreneurs, especially in "deep-tech" start-ups.

"The Garage seeks to establish a successfully proven innovative environment, such as Silicon Valley, Station F and others," said Dr. Munir Eldesouki, president of [KACST](#). "It aims to create a similar start-up culture that integrates innovation processes, creative thinking, design testing, and entrepreneurship under one roof, while attracting the brightest minds from across the kingdom and abroad, encouraging them to turn their dreams into realities, their ideas into innovations, and their start-ups into unicorns."

Initiatives from the grant could reach up to SAR 100,000, while investments may exceed SAR 500,000 for the most promising start-ups.

[KACST](#) is eyeing start-ups specialising in emerging and disruptive

technologies related to the Fourth Industrial Revolution (4IR) and Digital Technologies of the Future.

BRISK VENTURE CAPITAL ACTIVITY

Saudi Arabia's start-up scene also received fresh impetus from a string of financing and acquisition announcements in recent months.

Food tech start-up [Yaa](#) recently raised USD 2.1 million in a new funding round backed by Tasaru Holding. The start-up, founded in 2020, focuses on production and supply of fresh raw materials and basic food products for restaurants and businesses in six Saudi cities. The company boasts over 100 products, more than 300 items, and a monthly production capacity of 300 tonnes. It said it will use the funding to expand geographically in Saudi Arabia and boost production levels.

Saudi-based crowdfunding platform [Funding Souq](#) also closed a USD 2.5 million seed round led by a group of angel investors including Amal Dokhan (partner at 500 Global), Omar Aljaisi, and Christian Kunz (head of strategy at a leading global financial centre). Existing investors include Mazin Alzaidi (partner at STV), Musaab Hakami, and [Islamic Finance Guru](#).

Meanwhile, Saudi Arabia's [Taker](#) acquired Brisk Delivery, in a move that will strengthen its service TakerGo, which connects restaurants to delivery service providers in the kingdom. Brisk Delivery specialises in logistics software and provides delivery services across many sectors including the F&B industry.

Saudi-based ecommerce platform Sary has acquired [Mowarrid](#), a B2B marketplace in Egypt.

"After raising the highest E-commerce funding round in Egypt (USD 75 million Series C), this acquisition reflects a strategic move for Sary toward its expansion plans throughout the North African markets starting from Egypt, the second-largest economy in Africa, and the third-largest in the Arab world with a USD 60 billion wholesale and retail trade industry," according to [Magnitt](#), which tracks the regional start-up industry.

US FED RATE HIKE TRIGGERS SIMILAR MOVE IN SAUDI

As markets expected, the US Federal Reserve hiked interest rates by 0.25%, but also signalled more aggressive intent to increase rates throughout the year to tame surging inflation.

US inflation hit a 40-year high of 7.9% in February, which has prompted the Fed to take action. The bank announced a quarter-percentage-point increase in its benchmark overnight rate, as was widely expected, but the projection that its rate would hit between 1.75% and 2% by year's end was more hawkish than some investors had anticipated.

US Federal Reserve chairman [Jerome Powell](#) said consumer and business demand remains strong, but bottlenecks and supply chain constraints are limiting how quickly production can respond. These supply chain disruptions have been larger and longer lasting than anticipated, exacerbated by waves of the coronavirus in the US and internationally. Additionally, higher energy prices are driving up overall inflation. The surge in prices of crude oil and other commodities,



resulting from geopolitical tensions, will put additional upward pressure on near-term inflation.

"Inflation is likely to take longer to return to our price stability goal than previously expected," Powell said, noting that the median inflation is 4.3% this year, before falling to 2.7% next year and 2.3% in 2024. The trajectory is notably higher than projected in December, and the Fed continues to see risks as weighted to the upside.

The Federal Reserve expects the US's real GDP growth to reach 2.8% in 2022, 2.2% next year, and 2% in 2024, while unemployment will hit a post-pandemic low of 3.8%.

Two- and 10-year US Treasury yields advanced further to their highest levels since May 2019 after the Federal Reserve delivered its verdict on interest rates.

GREENBACK STAYS STRONG AS EU KEEPS STATUS QUO

The US dollar continues its strong run against a basket of currencies. The USD Index is up 2.54% this year, and 7.62% over a 12-month period.

"In the US, the runups in rates were tilted towards the short end of the yield curve, which flattened with respect to the term structure of other Advanced Economies," according to the [Bank of International Settlement's](#) quarterly review, published in March. "The dollar appreciated against AE currencies, particularly with respect to those of central banks less advanced in the tightening cycle. In the euro area, the Fed and the European Central Bank's tightening guidance widened peripheral spreads to bunds."

Indeed, the [ECB](#) is behind the curve, especially as it deals with a conflict between Russia and Ukraine, and its impact on the European Union's domestic power and energy markets.

While the ECB is also facing high inflation of around 5.1% this year, it has signalled that it had no intention of raising interest rates until sometime after it has ended its bond buying at the end of the third quarter.

"The path for the key ECB interest rates continues to be determined by the Governing Council's forward guidance and by its strategic commitment to stabilise inflation at 2% over the medium term," ECB president [Christine Lagarde](#) said.

The euro has fallen just over 3% against the US dollar this year, while it has seen a 7.5% contraction against the greenback over the past 12 months. The currency is expected to remain weak amid the geopolitical conflict and forex traders' preference of US dollar given its safe haven status.

CHINA LEAVES RATES UNCHANGED

Meanwhile, China's central bank, which was widely expected to cut interest rates to stimulate its economy, chose to keep its policy rates unchanged at its latest meeting in March.

The [People's Bank of China](#) (PBOC) said it would keep the rate on CNY 200 billion (USD 31.44 billion) worth of one-year medium-term lending facility (MLF) loans to some financial institutions unchanged at 2.85% from the previous operation.

The Chinese yuan is virtually flat against the US dollar this year.

SAUDI RATE HIKE

In tandem with the US Fed, the [Saudi Central Bank](#) (SAMA) said it raised its repo rate by 0.25% from 1% to 1.25% and the reverse repo rate by 0.25% from 0.5% to 0.75%.

"Policy rate adjustments are consistent with SAMA's objectives of maintaining monetary stability and supporting the stability of the financial sector in the evolving domestic and international monetary conditions," SAMA said.

Inflation rates are not as acute in Saudi Arabia, although some segments are showing an increase. Transport registered its highest year-on-year inflation rate of 6.4% in the fourth quarter of 2021, [SAMA](#) data shows. Education was second with a year-on-year increase of 4.8%, followed by recreation and culture with 2.1%, and restaurants and hotels with 1.7%. Food and beverages, and communication followed, each posting a 1.3% increase.

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