

Weekly Economic Briefing

Strategic Planning Department – Economic Section

بنك الرياض
riyadh bank

Mar 14, 2010

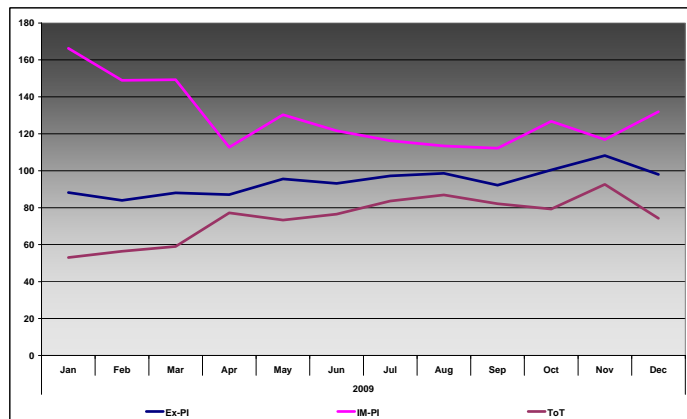
COMMENTARY

Saudi Arabia International Trade Data

The Central Department of Statistics & Information (CDIS) has published December's 2009 data for non-oil exports and imports. For that month, total non-oil exports increased in value to SR 10.1 billion, exceeding their levels in November 2009 and December 2008 by 16% and 16.8% respectively. Exports also increased in volume by 28% and 16.5% compared to November 2009 and December 2008. Obviously, exports of petrochemicals and plastics, that account for 52% of total exports, were the main driver of the growth as they increased by 30% and 43% in comparison with their values in November 2009 and December 2008 as well.

The latest published data lifted the total value of non-oil exports in the last quarter of 2009 to SR 28.3 billion and that's 11% above the total value of exports in the quarter before and 1.3% above the value in Q42008. In terms of volume, non-oil exports in Q409 increased by 4.8% and 9% compared to Q309 and Q408. Although, total exports volume for the whole 2009 maintained its level as in 2008 at 40.3 million tons, the average global prices for Saudi non-oil exports declined by 16% compared to the average prices in 2008.

Imports, on the other hand, continued to increase in both value and volume compared to the month before, although they still slightly below their level in December 2008. The total value of imports increase by around 25% compared to November 2009, while it improved by more than 10% in terms of volume. The increase in imports was pushed because of the increase in all items. Machinery and transportation equipments that account together for around 47% of total imports climbed by around 32% each. December's data increased total imports value for the last quarter of 2009 and the whole 2009 to SR 84.6 billion and SR 325 billion respectively, which is less than the comparable periods in 2008 that witnessed significant increase in global prices.



Most importantly, the 2009 data show significant improvement in the terms of trade for Saudi Arabia. The terms of trade is an index calculated as the ratio of export prices to import prices, and economists use as a rough measure for the changes of the countries welfare. An increase in the index shows an improvement in the country's welfare, as the country receives higher prices for each unit of its exports compare to the prices it pays for each unit of imports.

Between January and December 2009, non-oil terms of trades improved by around 32%, and it improved by 36% between the Q109 and Q409. The improvement in the Saudi terms of trade through out 2009 came as a result of increasing the prices of exports (namely petrochemicals) and declining the global prices of the Saudi import prices. As shown in the graph, non-oil export price index increased by 11.1% during the 12 months ending December 2009, whereas it increased by 17.3% between Q109 and Q409. Saudi imports price index, on the other hand, declined by 20.5% between January and December 2009, while it declined by 19% between Q109 and Q409.

GLOBAL STOCK MARKETS

| | Current | Week Ago | YTD Change |
|----------------|---------|----------|------------|
| US Dow Jones | 10,624 | 10,566 | 1.88% |
| US NASDAQ | 2,367 | 2,326 | 4.32% |
| US S&P500 | 1,149 | 1,138 | 3.05% |
| DE DAX | 5,945 | 5,877 | -0.20% |
| UK FTSE100 | 5,625 | 5,599 | 3.94% |
| FR CAC40 | 3,927 | 3,910 | -0.23% |
| SW SSMI | 6,836 | 6,847 | 4.45% |
| JP Nikkei | 10,751 | 10,368 | 1.94% |
| HK Hang Seng | 21,209 | 20,787 | -3.03% |
| IN BSE Sensex | 17,166 | 16,994 | -1.71% |
| Brazil Bovespa | 69,341 | 68,846 | 1.10% |

US stocks ended the week in a positive note, despite struggling on the last day of trade. US stocks were supported by positive employment figures from Canada, softened concerns over Greece's debt crisis, and an increase by 0.3% in retail sales in February. This increase was way better than expectations of 0.2% fall. The three major indices finished higher for the week; the Dow Jones rose 0.55%, while the Nasdaq gained 1.76%. The S&P 500 added 0.97%, pushed by Citigroup that has gained 14% for the week. On the sectors level, Telecoms, financials and techs were the best performers this week; utilities, consumer staples and health care were the worst.

European stocks posted a second consecutive weekly gain, as investors speculated that the European Union will support Greece with its finances if required, and by an unexpected increase in US retail sales by 0.3%. National benchmark indices in 14 out of 18 western European markets ended the week higher. The German DAX advanced 1.16%, and French CAC 40 added 0.43% for the week. UK's FTSE 100 rose 0.46%.

Asian stocks followed the global trend, posting positive results with better-than-estimated US data and easing concern over Greece's debt spurred confidence in a global economic recovery. Nikkei 225 ended the week up, adding 3.69%, Hang Seng gained 2.03% and the Indian BSE climbed 1.01%.

REGIONAL STOCK MARKETS

| | Current | Week Ago | YTD Change |
|--------------|---------|----------|------------|
| Abu Dhabi | 2,833 | 2,726 | 3.28% |
| Bahrain | 1,500 | 1,503 | 2.88% |
| Kuwait | 7,457 | 7,435 | 6.45% |
| Muscat | 6,649 | 6,650 | 4.41% |
| Doha | 6,816 | 6,729 | -2.05% |
| Dubai FM | 1,683 | 1,584 | -6.66% |
| Cairo SE | 6,769 | 6,783 | 9.04% |
| Amman | 2,481 | 2,465 | -2.05% |
| Beirut Blom | 1,619 | 1,570 | 3.45% |
| Saudi Arabia | 6,565 | 6,478 | 7.25% |

Regional stocks posted mixed results for the week. The Saudi index hit a 19-week high, supported by Saudi Basic Industries Corp (SABIC) and other blue chips, with increasing oil prices that boosted demand for petrochemical stocks. Saudi All-Share Index, TASI, rose 1.34% over the week, closing at 6,565 points, and raising its YTD to 7.25%.

FOREX

| | Current | Week Ago | End 2009 |
|----------|---------|----------|----------|
| EURO/\$ | 1.376 | 1.362 | 1.432 |
| EURO/YEN | 124.6 | 123.0 | 133.2 |
| \$/YEN | 90.55 | 90.27 | 93.03 |
| GBP/\$ | 1.520 | 1.513 | 1.615 |
| \$/CHF | 1.057 | 1.074 | 1.035 |

US dollar showed mixed weekly performance against other major currencies, as Greek debt crisis fears continue to subside. In addition, a report showed Eurozone output rose in January at the highest monthly rate since records began in 1990, fueled appetite for riskier assets. Against the euro, the dollar fell 1% for the week, to 1.376. However, the greenback improved against the yen by 0.3% to close at 90.55. Versus the Swiss franc, the dollar decreased to 1.057, depreciating 1.5% for the week. As a result, the dollar index slid to 79.77, leading the index to its biggest weekly drop since November.

The euro touched a one-month high versus the greenback as stocks gained for a second week. Industrial production data across the Eurozone gave the currency an advantage against other major currencies. The euro improved versus the yen for the week, adding 1.3% to close at 124.6, on speculation the European Union may offer to bail out Greece. On the other hand, the yen weakened this week against all major currencies, as Japanese officials said the government is ready to do what is necessary to keep the currency from strengthening.

Over the week, sterling pound increased slightly by 0.4%, to close at 1.520 versus the dollar, and slid 0.7% against the euro, as concerns over the UK's record fiscal deficit escalated and British industrial production had slowed sharply in January.

INTEREST RATES

| | Current | Week Ago | End 2009 |
|----------|---------|----------|----------|
| US3mth | 0.25 | 0.25 | 0.25 |
| US10yr | 3.70 | 3.68 | 3.83 |
| Euro3mth | 0.59 | 0.59 | 0.66 |
| Euro10y | 3.17 | 3.16 | 3.39 |
| UK3mth | 0.64 | 0.64 | 0.61 |
| UK10yr | 4.10 | 4.06 | 4.02 |
| SR3mth | 0.74 | 0.76 | 0.77 |

US Treasuries ended the week down as positive data on retail sales pushed short-term yields during the week to the highest since January, providing an attractive level for investors. Treasuries erased some losses on Friday after the stock market dipped down on negative report showing consumer sentiment unexpectedly declined this month. However, these small gains on the last day of trading failed to push the weekly performance of the Treasuries up. By the end of the week, 10-year yields closed up at 3.70 percent, and yields on 2-year notes rose 7 basis points to 0.96 percent. Treasuries recorded the fourth weekly loss in five weeks, even as the government received strong demand at its auctions of 3-year, 10-year notes and 30-year bonds over the previous few days.

German bonds also fell for the week as European nations considered creating a monetary fund to support debt-strapped nations. Bonds fell as well with rising equities and after Italy had sold new issues of bonds. As a result, the yield on the 10-year German bond climbed to 3.17 percent, while the yield on the 2-year note rose to 1.05 percent.

UK Gilts were on the same track, recording weekly losses. This pushed the 10-year yield up to 4.10 percent and the two-year yield to 1.23 percent by the end of the week.

COMMODITIES

Crude oil prices ended the week down as data showing a drop in consumer confidence brought back concern to the investors regarding energy demand. However, oil prices received little support from an International Energy Agency (IEA) report on Friday saying world oil demand on 2010 will be slightly higher than previously expected due to growth in developing countries.

By the end of the week, US light sweet crude fell 0.3 percent to settle at \$81.24 a barrel. London Brent crude also closed down at \$79.02 a barrel, falling by 0.5 percent for the week. On the other hand, the price of OPEC basket closed higher at \$77.76 a barrel, adding 1.7 percent for the week.

Gold prices fell for the week, despite the depreciation in the dollar, as investors were disappointed by the metal's failure to break through \$1,120 an ounce. US gold fell 3 percent for the week to settle at \$1,101.70 an ounce.

| | Current | Week Ago | End 2009 |
|----------------------------|---------|----------|----------|
| Brent | \$79.02 | \$79.40 | \$77.20 |
| OPEC Basket | \$77.76 | \$76.42 | \$76.19 |
| WTI | \$81.24 | \$81.50 | \$79.36 |
| Gold 100 OZ FUTR (USD/toz) | \$1,101 | \$1,135 | \$1,096 |

SELECTED ECONOMIC INDICATORS

| Due Date: | Economic indicator | Latest Actual | Consensus forecast | Previous Actual |
|------------------|----------------------------|---------------|--------------------|-----------------|
| This Week | | | | |
| 15 Mar, Mon | Industrial Production, Feb | na | 0.0% | 0.9% |
| 16 Mar, Tue | Housing starts, Feb | na | 570K | 591K |
| 18 Mar, Thu | CPI, Feb | na | 0.1% | 0.2% |
| Last Week | | | | |
| 11 Mar, Thu | Trade Balance, Jan | -\$37.3B | -\$41.0B | -\$39.9B |
| 12 Mar, Fri | Retail Sales, Feb | 0.3% | -0.2% | 0.1% |
| 12 Mar, Fri | Mich Sentiment, Mar | 72.5 | 74.0 | 73.6 |
| KSA | | | | |
| | | Latest (W/W) | Previous(W/W) | YTD Change |
| 10 Mar, Wed | Money Supply (M1), 04 Mar | 2.80% | -0.14% | 5.11% |
| 10 Mar, Wed | Money Supply (M2), 04 Mar | 1.76% | -0.07% | 2.92% |
| 10 Mar, Wed | Money Supply (M3), 04 Mar | 1.06% | 0.13% | 0.50% |

Color key to the numbers: Green means up, Red means down and Black means unchanged from 'Week ago'. In the 'Selected Economic Indicators' table: 'This Week', colors indicate whether markets expect the indicator to be higher, lower or the same as the 'previous' figure. In 'Last Week' colors mean higher, lower or the same as consensus. In the 'Previous actual' column, colors indicate revision up, down, or unchanged.

Strategic Planning Dept, Economic Section; economics@riyadbank.com
 Dr. Ahmad A. Telfah, Chief Economist; ahmad.telfah@riyadbank.com
 Nada M. Abo Al-Samh, Planning Analyst; nada.al-samh@riyadbank.com
 Foza M. Al-Mehaid, Researcher; foza.al-mehaid@riyadbank.com

The opinions expressed herein are those of the authors and do not necessarily reflect the views of Riyadh Bank. No liability is accepted whatsoever for any direct or consequential loss arising from the use of this document. Riyadh bank, P.O. Box 22622, Riyadh 11416, KSA
 Tel: +966 1 401-3030 ext: 2119- www.riyadbank.com