

## IN THIS EDITION ...

The Saudi 2030 Vision reforms continue unabated.

The Saudi stock exchange said it plans to launch exchange-traded derivatives on 30 August, in what would be a landmark move for markets in the region. The market's first exchange-traded derivatives product is an index futures contract, the Saudi Futures 30 (SF30) based on the MSCI Tadawul 30 Index (MT30).

The launch aims to bolster the Saudi capital market and offer investors hedging tools to manage risk, and boost the Tadawul's exposure to a broad range of investors.

The Tadawul is also eyeing more derivatives products such as single stock futures, single stock options, and index options to deepen the market. It is all part of creating a world-class capital market infrastructure as outlined in the Financial Sector Development Program (FSDP) under the overarching Saudi Vision 2030 umbrella.

"Today, we can proudly say that our capital market is not only the largest in the region but also developing faster than most exchanges in terms of both the products and the services we offer," Khalid Al Hussan, Tadawul chief executive said. "The introduction of derivatives trading is further evidence of our commitment to providing our investors with diversified, innovative products and services to meet all their needs."

In July, the Saudi British Bank (SABB) joined the kingdom's newly launched Securities Clearing Center Company, or Muqassa, as a General Clearing Member. SABB is only one of three general clearing members and one of eight members who completed all regulatory and technical requirements to become a member of Muqassa to conduct clearing activities.

The Saudi government has also been nimble throughout the pandemic. Authorities have taken 142 initiatives to date and allocated SAR 214 billion, in addition to SAR 47 billion for the healthcare sector, to mitigate the financial and economic effects of the pandemic. In addition, the Saudi Arabian Monetary Authority has rolled out a SAR 100 billion plan to support the economy.

The efforts are paying off as coronavirus cases slowly decline across the kingdom and businesses prepare to resume economic activity.

The country's Industrial Production Index showed non-oil manufacturing activity rose by 7.1% in May compared to April, with production of paper, furniture and rubber and plastics leading the way, according to the General Authority for Statistics.

Consumer sentiment has also perked up with rising mortgage contracts and higher point-of-sales transactions in May compared to March and April.

Like the rest of the world, the Saudi economy will likely experience some more volatility as the government and businesses balance the need for health and safety of citizens and reviving economic growth.

But the kingdom appears to be on the right track.



### ECONOMIC TRENDS

The coronavirus crisis may have posed an economic setback, but the kingdom is encouraged by macro fundamentals, which remain healthy.

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### REAL ESTATE

Outlook for the kingdom's housing market remains upbeat, as multi-billion-riyal mortgage contracts were processed in the first five months of 2020.

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### BANKING SECTOR

Financial institutions remain in a position to provide support to businesses and individuals in the kingdom even at the height of the crisis.

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### EDUCATION

Innovative start-ups have partnered with government agencies and academic institutions to make the technology more accessible.

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### COVID-19

A recovery plan is being put in place as the pandemic has left many economies bruised, with poorer countries bearing the brunt.

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### CURRENCY

Monetary policymakers are using all the tools at their disposal to keep the wheels turning during the pandemic.

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## SAUDI OPTIMISTIC ABOUT ITS ECONOMIC FUTURE



Like the rest of the world, Saudi Arabia's economy was impacted by the coronavirus pandemic in the first quarter of the year, but the downturn was not as severe as in other emerging economies.

The [General Authority for Statistics](#) said the country's non-oil sector expanded 1.6% during the quarter. Within the non-oil sector, the private sector saw a 1.4% increase, while the government sector rose 1.9%, according to the latest data.

"In the first quarter of 2020, Wholesale and Retail Trade, Restaurants and Hotels recorded the largest growth rate, 4.8%, followed by Other Mining and Quarrying with 4.6%, and Transport, Storage, and Communication with 4.1%," according to the [survey](#).

On the other hand, Petroleum Refining contracted the most, declining 24.2%, followed by Crude Petroleum and Natural Gas with a 2.9% drop, and Manufacturing excluding Petroleum Refining contracting 2.6%.

Overall, however, GDP at constant prices fell 1% during the first quarter to reach SAR 654 billion, compared to a 1.7% growth during the same period last year.

The decline was primarily due to lower crude oil prices, which led to the oil sector falling 4.6%.

Gross domestic demand during the first quarter rose 1.4% on the back

of increase in private and government consumption. Private consumption reached SAR 289 billion (up 1.5%), and government consumption rose to SAR 167.3 billion (up 10.4%), while gross capital formation, which measures investments in the economy, fell 5.4% to SAR 192.9 billion.

"Exports amounted to SAR 216.1 billion in the first quarter of 2020, down by 20.2% from the same quarter of the previous year, mainly due to the fall in oil exports by 21.9%," GStat noted in the report. "Imports amounted to SAR 169.8 billion, decreasing by 11.9% from the same quarter of the previous year, mainly due to the decline in imports of services by 27.4%."

Current account surplus amounted to SAR 18.8 billion, or 2.7% of GDP in the first quarter, compared to 7.2% during the same period last year.

GDP per capita fell 5.7% to SAR 19,981, compared to the same period last year.

Meanwhile, inflation rate stood at 1.1% in May, as against 1.3% in April, [Saudi Arabian Monetary Authority](#) data shows.

Inflation would likely climb higher as the [value added tax](#) rate was increased to 15% from 5%, starting 1 July.

## BUSINESSES REMAIN RESILIENT: SURVEY

The global economy continues to feel the effects of the coronavirus, but companies remain resilient and are finding ways to navigate through the crisis.

A new [HSBC global survey](#) shows three out of four companies said they were strongly impacted by the crisis, with firms in automotive, wholesale and retail sectors reporting the most severe impact.

The survey of 2,600 businesses in 14 markets between late April and early May shows the crisis is testing the business community's resolve. But it also reveals tremendous resilience with 63% reporting that they were continuing operations with major or minor changes.

"Around half have moved more of their business online (51%). And more than a third of businesses are finding new solutions through other means," the survey said.

"On balance, these findings are better than feared given the speed and severity of the shock, coupled with a negative outlook for global growth.

HSBC forecasts global GDP to contract by 4.8% in 2020."

But businesses are faced with a number of questions that require new solutions. The HSBC survey shows 38% of companies surveyed said they were looking to change their production facilities or office locations and 37% were seeking access to new financing. Just over a third were reviewing their products and services and a similar number was eyeing access to key trading markets. Around 31% were concerned about delivery and shipment of their products and services, and close to 31% were worried about availability of materials.

There has also been a camaraderie within the global supply chain, with 80% of companies surveyed saying they 'feel closer' to their strategic and supply chain partners and 93% had supported the partners they were working with. Around a quarter each had also supported their partners by collaborating to get products to customers, provided better payment terms to business-to-business customers, offered advice to other companies and shared information with others.

"As two in three businesses seek greater control of their supply chain (67%), they place greater emphasis on supplier resilience. More broadly, they are reconsidering the shape of their entire supply chain – variously pursuing diversification, digitisation and vertical integration," the HSBC survey stated.

Finally, businesses are looking beyond the crisis and positioning themselves for recovery. When asked, 'What will be the biggest barriers to your business becoming more resilient over the next six months?', 62% identified their finances, another 62% the workforce and 37% were focused on technological challenges.

The survey also revealed that businesses felt closer to their customers, employees and suppliers, with 33% of businesses saying employee morale was their biggest barriers and just under a quarter concerned about restoring customer relationships – a remarkable finding given the restrictions in place.

"This may also accelerate the trend of B2B businesses selling directly to consumers, as witnessed by consumer brands offering direct delivery to homes during this crisis."

## SAUDI BANKS SHOW RESILIENCE IN FACE OF PANDEMIC

Saudi Arabia's financial services is among the sectors leading efforts to mitigate the economic impact of the pandemic.

The Saudi Arabian Monetary Authority (SAMA) and the banking sector played a pivotal role in providing support to individuals, small and medium enterprises (SMEs), exporters and importers, and large businesses, so that the wheels of the economy keep turning despite lockdowns and curfews.

"SAMA has the task, in particular during crisis and stress periods, to ensure financial services are available, there is confidence in the financial markets and financial stability is safeguarded," the central bank said in its latest [Financial Stability](#) report. "In this regard, and in response to the coronavirus outbreak, SAMA intervened to reduce uncertainty, ensured the credit markets are operating satisfactorily and managed system liquidity in such a manner as to minimise financial system disturbance and the risks of failure of the financial institutions it supervises."

The central bank slashed interest rates by 50 basis points on 8 March and another 75 basis points on 16 March and activated its own business continuity plans to support the economy.

SAMA also unveiled a SAR 50 billion Private Sector Financing Program, which focused on deferred payment programme (SAR 30 billion), funding for lending programme (SAR 13.2 billion), loan guarantee programme (SAR 6 billion), support for fees of point and sales and e-commerce (SAR 800 million), and financed repayment arrangements for institutions affected by the measures taken in the cities of Makkah and Madinah.

"A robust support programme by SAMA meant that panic-driven measures such as foreclosures, un-economical debt restructurings and forced liquidations have not been rampant," said Khalil Ibrahim Al Sedais, office managing partner at [KPMG Saudi Arabia](#).

Very early on in the crisis, SAMA issued a circular requiring all financial institutions to establish a risk management committee, update their business continuity plan, and encouraged them to promote e-services and payment systems to mitigate health risks.

As such, point-of-sale transactions using near field communications technology (i.e., the transaction was down remotely) jumped to a record SAR 4.83 billion in June, while sales using cards remotely also hit a record SAR 22.81 billion, according to latest available data from [SAMA](#).

Saudi British Bank also saw strong engagement with its customers



online. The bank saw its monthly app downloads rise 27% as it encouraged customers to avoid going to the branches.

"SABB now has a top-rated banking App following a recent upgrade, adding over 30 new services, such as face ID, Apple Pay and an improved dashboard for better money management. The upgrade came after SABB legally merged with Alawwal bank, where it promised to connect customers to the best digital banking experience in the kingdom," [SABB](#) said in a statement.

## FINANCIAL SECTOR

The Saudi banking sector's key indicators underscores the financial industry's underlying strength.

"Financial soundness indicators suggest high resilience of the system and ability to withstand economic shocks," [SAMA](#) said in its recent report. "Taking into account domestic and global economic outlook, the financial sector is expected to encounter a reduction in activities in 2020, which will reflect negatively on profitability and possibly increase defaults. Given the current comfortable financial position of the sector, breaching SAMA's requirements in terms of financial soundness indications are highly unlikely."

Total bank deposits grew 10.4% in May 2020 compared to the same period last year, [SAMA](#) data shows, while bank credit rose 10.95% during the period.

In May, [Moody's Investors Service](#) affirmed the ratings of 11 Saudi banks to "reflect the resilience in their financial performance underpinned by strong capital buffers, favourable funding profiles and ample liquidity buffers."

The banking sector could also see more consolidation. In June, [Samba Financial Group](#) said it is in talks with National Commercial Bank for a potential merger. Neither parties are obligated to proceed with the transaction.

"The total consideration payable by National Commercial Bank to Samba shareholders, should the Proposed Transaction complete within that range, will be between approximately 1,441 million to 1,540 million new National Commercial Bank shares," Samba said in a statement. "At a closing share price of SAR 37.25 per National Commercial Bank share on 24 June 2020, the Proposed Transaction, if completed within that range, would value each Samba share at SAR 27.42 – SAR 29.32, which represents a premium of 19.2% - 27.5% to the Samba share price as of 24 June 2020."

Consolidation will create a more robust and vibrant banking sector, which will be vital as the kingdom prepares to revive the economy.

## G20 NATIONS PUT UP A UNITED FRONT VS COVID-19

The work of G20 nations continues unabated. Indeed, it has taken an even more important turn as the group of the world's richest economies is leading the way in developing a strong and collaborative global response to fight COVID-19.

A number of issues have come to the forefront as the global economy looks to mitigate the impact of the pandemic and turn to recovery. These include a focus on ensuring macroeconomic and financial stability especially in emerging economies, accelerating the digital economy, and boosting financial inclusion.

With Saudi Arabia as president of the G20 group this year and host of the heads of state G20 summit in November, the kingdom has taken the lead in developing a robust strategy to combat the health crisis.

"In response to COVID-19 pandemic, G20 countries have implemented unprecedented fiscal, monetary and financial stability measures and ensured that international financial institutions can provide critical support to developing and low-income countries," according to Mohammed Aljadaan, Saudi's [minister of finance](#).

The minister pledged to co-ordinate with G20 member countries to promote sustainable financing for developing countries, support the return of capital flows to emerging markets and developing countries, build resilience and promote more sustainable sources of financing.

A USD 14 billion Debt Service Suspension Initiative has already been rolled out by the group, and received 41 applications, including from 26 African countries.

"The pace of implementation of the DSSI has significantly accelerated in June, in particular with the clarification that requesting the DSSI for official bilateral creditors does not oblige beneficiary countries to make the same request to private creditors, and credit rating agencies having clarified in parallel their position on the DSSI," said Guillaume Chabert, French Co-Chair of the G20 International Financial Architecture Working Group.

Separately, [G20](#) members and other countries have earmarked US\$21 billion to fund global health. These funds will focus on diagnostics, vaccines, therapeutics and research and development to beat the pandemic and will be developed for the benefit of all.

Another key issue is financial inclusion, which has hit the poorest people hardest as they often do not have bank accounts or Internet access, or are able to afford smartphones to bank electronically.



A separate [G20](#) meeting agreed to "commit to promote financial inclusion by maintaining accessible and affordable financial products and services through conventional and responsible digital means while ensuring financial consumer protection".

### FACILITATING TRADE

The influential group of economies are also keen to keep borders open to facilitate trade and ensure that citizens of all countries can continue to buy essentials and other products, even if they are in lockdown.

The collaborative spirit is vital as global supply chains are intricately connected across many countries.

In May, the [G20](#) nations pledged to refrain from introducing export restrictions on agriculture products and avoid stockpiling food. In addition, they have agreed to accelerate electronic documentation, do away with restrictions on production of protective personal equipment and medical supplies, share experience and best practices, and

streamline logistics and operation to ensure timely delivery of essential products, such as food and medical supplies.

Finally, the digital economy has also gained increased importance and will remain a major theme once the world gets past the health crisis.

In a recent meeting, [G20](#) nations said they will invest in the digital economy to "accelerate our collective response to the COVID-19 pandemic as well as to enhance our ability to prevent and mitigate future crises."

This included developing robust telecom and Internet infrastructures especially in underserved areas to make the digital economy more inclusive.

Investments in digital technologies to improve healthcare, and using innovation to help citizens participate in the global economy are some of the other aspirations of the group.

At the same time, the digital economy would need strong firewalls to protect data and information of corporations and individuals in order to create a trusted online environment.

"This present crisis carries with it an opportunity for governments to encourage the use of our most advanced technologies in order to prevent, mitigate, treat, and defeat future pandemics, and to facilitate the development of digital innovations that will enable a full economic recovery," the nations said in a [joint press release](#).

"The Digital Economy Task Force will encourage the dissemination of current and emerging digital tools for fighting this pandemic. Taking stock of and building on this experience, Italy is open to support and continue dialogue on the application of advanced technologies to fight pandemics in the upcoming G20 Presidency."

## SAUDI MORTGAGE MARKET BACK INTO ACTION



The number of mortgage contracts in Saudi Arabia crossed 128,498 in the first six months of the year, valued at SAR 58.8 billion, according to the [Saudi Arabian Monetary Authority's](#) latest report.

The kingdom's banks offered loans for 45,712 houses, 8,717 apartments and 2,191 pieces of land, the survey noted.

Saudi banks had issued 170,275 new mortgage contracts in 2019, more than triple the 46,885 contracts issued in 2018. By the end of 2020, the kingdom aims to increase total outstanding mortgages to SAR 502 billion from SAR 300 billion in 2018.

The urban cities of Riyadh and Jeddah also saw new residential units come on line, in more signs that the country's key urban real estate markets are rebounding.

Riyadh saw as many as 7,500 new units completed in the first quarter of the year, taking the total stock to 1.3 million, according to real estate consultant [Jones Lang La Salle \(JLL\)](#).

Jeddah witnessed 1,800 new units coming into the market, taking its residential stock to 827,000.

"The delivery of residential units in both Riyadh and Jeddah remains active, as the government continues its drive towards increasing homeownership in the kingdom to 60% by 2020 and 70% by 2030," according to [JLL](#), noting that the property market activity appears to be bottoming out in both cities.

[Cavendish Maxwell](#), another real estate consultancy, estimates real estate prices to have risen 2.1% on average in the first quarter across the country. Plots saw a 2.1% jump, while apartments rose 2.2%. However, villas dipped 2.6% during the period.

"A number of initiatives have been launched to achieve this goal including incentivising developers to increase affordable housing offerings and making private sector financing more accessible. Measures already in place included lowering mortgage down payments from 10% to 5% and increasing banks' loan-to-value ratio for mortgages of first-time homebuyers from 85% to 90%," according to a new report by [Cavendish Maxwell](#).

Saudi Arabia is also upgrading the regulations to bolster the real estate sector. In July, the kingdom rolled out a new attestation system for all real estate investments to safeguard buyers' interest.

"The documentation system will help with 'preventive justice', which will contribute to reducing disputes and lawsuits, raise the efficiency of contracts, and enhance the speed of restoring owners' rights without the need to file a lawsuit," according to Dr. Walid Al Samaani, Saudi minister of justice and chairman of the Supreme Judicial Council, as reported by the [media](#).

The government has also taken measures to ensure the housing market remains stable. The Real Estate Development Fund said it deposited SAR 1.05 billion in citizens' accounts benefiting from [Sakani Program](#) in April.

The Sakani housing programme provides financing options to enable home ownership to thousands of Saudi citizens in the kingdom.

## NEW PROJECTS

The [Red Sea](#) project, a major real estate, tourism and business hub on the kingdom's west coast, awarded a landmark contract in July for airside infrastructure works for the destination's international airport, set to open in 2022.

Saudi contractors Nesma & Partners Contracting Co. Ltd and Albabani General Contractors won the award as the government aims to create jobs and economic activity within the country. In line with its sustainability goals, the project's entire infrastructure, including its transportation network, will be powered completely by renewable energy.

Earlier this year, the company said it deployed hi-tech survey equipment and drones to map the most efficient sites for its property assets on the water.

"This activity informs the positioning of overwater assets, including villas, restaurants and hotel arrival points for two hyper-luxury hotels and one luxury hotel on Sheybarah South and Ummahat Al Shaykh islands," the [company](#) said. "It marked the location of the assets in accordance with the destination's approved Master Plan and took around three weeks to conduct."

Work is also under way on the massive SAR 500 billion NEOM project on the northwest coast of Saudi Arabia.

In May, the National Program for Community Development in the Regions, or [TANMIHA](#), began disbursing financial compensations for the owners of real estate within the first phase of the NEOM in Sharma, Qayal, Al-Kheraiba, Al-Aseelah, Al-Soura, and Bir Fehiman areas.

The massive real estate and tourism project is also putting in place the infrastructure to create a sustainable living environment, with a USD 5 billion deal to create the world's largest renewable hydrogen project.

US-based [Air Products](#), in collaboration with ACWA Power and NEOM, said they will be collaborating to produce 650 tonnes per day of hydrogen by electrolysis using Thyssenkrupp technology; produce nitrogen by air separation using Air Products technology; and produce 1.2 million tonnes per year of green ammonia using Haldor Topsoe technology. The project is expected to be completed by 2025.

"Harnessing the unique profile of NEOM's sun and wind to convert water to hydrogen, this project will yield a totally clean source of energy on a massive scale and will save the world over three million tonnes of CO2 emissions annually and eliminate smog-forming emissions and other pollutants from the equivalent of over 700,000 cars," said Seifi Ghasemi, chairman, president and chief executive officer for [Air Products](#).

The turnaround in the kingdom's real estate and construction sector and focus on giga projects will play a key role in reviving the economy and creating new jobs.

## PANDEMIC ACCELERATES ADOPTION OF DISTANCE LEARNING IN SAUDI

Like the rest of Saudi Arabia's economy, the education sector is in the midst of rapid evolution.

As the pandemic demands social distancing and limited physical interaction, any activity that brings together many people together in a closed environment has become problematic.

To counter the problem, the Saudi government has turned to distance learning tools to ensure that the citizens have continued access to education, even though physical schools remain closed.

In April, Dr Hamad bin Mohammed Al Al-Sheikh, [minister of education](#), said distant learning will turn out to be a strategic choice rather than just an alternative.

The minister said e-learning will not remain the same as before and will have a greater role in the post-pandemic period.

In June, the [minister](#) said the government was looking at live educational TV broadcasting via iEN Channels, links of YouTube channel, iEN Enrichment Portal, Future Gate, and Unified Education System in addition to the efforts made by the universities in providing virtual classes.

The ministry is leveraging the use of virtual classrooms via [Vschool.sa](#) and providing digital reading material on its website and mobile apps on both Android and Apple platforms.

"Remote e-learning is not limited to lessons taught by the teachers through platforms. Students can take part in several activities that can enrich their learning experience," [Dr. Ali Al-Ammari](#), assistant professor at the College of Computing and Informatics at the Saudi Electronic University, said in a [media interview](#).

"In addition to simultaneous virtual lessons attended by students and teachers at the same time, there are other lessons that students can watch, pause and watch again at any time."

The kingdom's investment in online learning is also paying off, with the Saudi Electronic University, King Saud University, King Abdul Aziz University, King Faisal University and other universities boasting a fully functional remote-learning infrastructure.

### FUTURE GATE

Long before the pandemic, Saudi Arabia had embarked on boosting its



education infrastructure. Over the past few years, education has been the biggest spending item in the budget, as the government has focused on raising the skillsets of Saudi citizens in the new economy.

The [Future Gate](#) initiative, rolled out by the Tatweer Educational Technologies (TETCO) on behalf of the government in 2018, has already heralded smart classrooms and digital education management systems in the kingdom.

The portal provides a number of educational services, such as interactive learning. It also allows teachers to give homework and worksheets in addition to electronic tests, and is a way for teachers to communicate with students and parents. The portal has tools for teacher to prepare lectures and examinations paper. It also allows teachers, students and school administration to view weekly and daily programme, and schedule virtual classes for students.

The focus on online learning has already been a boon for a Saudi start-up [Noon Academy](#), an online learning platform that raised USD 13 million from Riyadh-based STV, Alturki Holding and NFX Venture in June.

The start-up said it saw 3 million new students on its platform since the start of the pandemic, and the company plans to add new functionalities to allow schools in Saudi Arabia and around the world to utilise their platform easily.

"This is particularly relevant as students will continue to study from home for the foreseeable future," [Mohammed Aldhalaan](#), Noon

Academy's co-founder and CEO, said.

The focus on digital learning across the world would also have other consequences. As a number of western countries keep their universities closed and some countries consider limiting foreign students, the Saudi government will be looking to fill the gap and provide more services.

In June, the [Saudi education ministry](#) officials met with their counterparts in the UK to discuss joint co-operation in the fields of education. "The two sides also reviewed the situations of the Saudi students in the UK and the British students in Saudi Arabia as well as the efforts exerted by the Education Ministry in developing curricula and measures to confront COVID-19 pandemic," the ministry noted.

Saudi Arabia is among the 10 biggest source markets of foreign students in western countries, according to [UNESCO](#), with 5% of Saudi tertiary students studying abroad on average. By 2017, more than 84,000 Saudi students were studying abroad.

As their studies abroad are disrupted and often reduced to distance learning, more Saudi students may prefer to study at home, which would benefit Saudi universities in the long term, as they will be looking to expand their own courses and programmes to accommodate the rising demand.

## CENTRAL BANKS LEAVE MONETARY POLICY UNCHANGED

Central banks around the world had stepped up when the coronavirus reared its head in the first quarter of 2020. But most of them are keeping their powder dry for now as their previous actions trickle into the system, and as they wait to see how the pandemic plays out.

In June, US Federal Reserve chairman [Jerome Powell](#), said the country's economic outlook remains cautious despite an encouraging turn in high-frequency data, initial signs of rehiring and a bounce back in consumer spending.

The central bank remains committed to using its full range of tools to support the US economy in this challenging time, and promote its maximum employment and price stability goals.

Powell also stressed the virus "poses considerable risks to the economic outlook over the medium term." And that "until the public is confident that the disease is contained, a full recovery is unlikely".

The European Central Bank, Bank of Japan, Bank of England and People's Bank of China, apart from the Saudi Arabian Monetary Authority are all on pause as they assess the damage caused by COVID-19 and what other measures will be required in the third and fourth quarter.

Amid this backdrop, the US dollar has had an eventful year so far. The world's de facto reserve currency has soared and then dipped amid market volatility and was trading around mid-July at 96.23 points against a basket of currencies – just below levels seen at the start of the year.

After falling around 6% against a basket of currencies between March and June and amid a drop in capital markets, the US dollar is gaining strength again.

The greenback had been wobbling as the country was unable to rein in coronavirus cases and there was considerable confusion between governments at the municipal, state and federal level on how to combat the crisis.

The US economy is expected to dip 40% in the second quarter, according to The [Conference Board](#), on the back of rising unemployment and subdued consumer spending.

"In the event that COVID-19 is rapidly brought under control, unemployment could ease further, and consumer confidence could rise, resulting in a stronger 'Swoosh'-shaped recovery which brings the economy back to pre-COVID-19 levels of output by the end of 2021," the [board](#) said.



However, a persistent second wave of COVID-19 cases in the autumn, which would result in widespread economic lockdowns could yield a weaker 'W'-shaped recovery that would hurt fourth quarter growth and extend this economic crisis into 2021, the board warned.

COVID-19 cases are rising in the United States, and some states such as California have stepped back from their reopening plans.

S&P Global Ratings says it sees no substantive changes in monetary policy from the Fed over the next 12 months.

"Absent a sustained rise in inflation above its target, the Fed will not raise its policy rate until the labour market is largely healed. We expect the Fed to keep rates on hold until at least 2023," according to the [ratings](#) agency.

## GLOBAL ECONOMY

The International Monetary Fund revised its estimates for global growth by 1.9 percentage points to 4.9% for this year.

"The COVID-19 pandemic has had a more negative impact on activity in the first half of 2020 than anticipated, and the recovery is projected to be more gradual than previously forecast," the [IMF](#) said in its June update. "In 2021, global growth is projected at 5.4%. Overall, this would leave 2021 GDP some 6.5 percentage points lower than in the pre-COVID-19 projections of January 2020."

The European Central Bank is also keen to maintain loose monetary policy, although most EU countries have been able to flatten the curve and have seen a noticeable uptick in business activity.

Amid contrasting responses to the health crisis, the euro has surged 1.5% against the American currency year to date (July 15).

Japan, which has also managed to cap COVID-19 cases for the most part, saw its currency slip 1.29% against the American dollar. In June, the Bank of Japan said it would leave monetary policy unchanged, maintaining the current level of short- and long-term rates and the broad specifics of its asset purchases. However, the bank upgraded its support measures for corporate credit, including corporate debt purchases and its new COVID lending programme, to JPY 110 trillion (USD 1 trillion).

The People's Bank of China also kept its benchmark 1Y Loan Prime Rate (LPR) unchanged at 3.85% in June – the second consecutive month that PBoC stays put after the larger-than-usual reduction in April. The Chinese yuan has risen 0.64% against the American greenback year to date.

Monetary policymakers will likely maintain their stance going into the third quarter, but are poised to act if the global economy does not settle down soon.

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