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IN THIS EDITION ...

Saudi Arabia will showcase its financial services prowess to an international audience of business leaders in April with the launch of the first Financial Sector Conference in Riyadh.

The two-day event will be graced by the who's who of the global investment industry and feature a compelling agenda spanning, but not limited to, fintech, Islamic finance, real estate financing, insurance, and the competitiveness challenges facing the world's top financial institutions.

The conference aims to become the most prominent financial sector event locally and regionally, according to the organisers.

"It seeks to increase the Saudi financial sector's contribution to GDP by building a diversified and stable financial sector and developing a sophisticated financial market, through inviting all concerned stakeholders in the Saudi financial sector to participate in a constructive dialogue," the organisers said.

For global institutions, the event will be an opportunity to explore the robustness of the kingdom's capital markets and the wider economy, as well as the billions of dollars' worth of financing opportunities in oil and gas, renewable energy, transportation, manufacturing, logistics, entertainment, tourism and retail.

Indeed, the compelling intersection of logistics, transportation and manufacturing is emerging as a fresh round of opportunity for Saudi Arabia, as it expands its non-oil economy in line with the Vision 2030 initiative.

The National Industrial Development Logistics Program (NIDLP) – focused on industry, mining, energy and logistics – underpins a whole host of 2030 goals eyeing various industries, including trade and exports, and the development of key cities spread across the country.

The NIDLP will be of special interest to global institutions who can help develop policies and regulations, provide financial support – debt or equity – for the projects planned under the programme.

Finally, Saudi Arabia's focus on forging trade ties with Asian countries and signing a host of contracts focused on a variety of sectors with China, India and Pakistan over the past few months should facilitate the non-oil economy's growth and help the kingdom's major companies to find new revenue streams.

ECONOMIC TRENDS

An international conference will put a spotlight on the kingdom, as it positions itself as a hotspot for business leaders looking to gain a foothold in a high-potential market.

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OIL AND GAS

The Saudi oil giant believes industry players must keep the investment taps running so the industry can meet global demand, which is poised to surge.

Read More...

VISION 2030

Authorities are focused on achieving fiscal balance by promoting shrewd public spending and exploring new revenue streams.

Read More...

MANUFACTURING

A number of deals were signed between Saudi agencies and companies in India. Pakistan and China, as the kingdom attempts to become an industrial powerhouse.

Read More...

SME

By providing loan guarantees, the programme has allowed small and medium businesses to overcome one of the major obstacles of entrepreneurship.

Read More...

CURRENCY

Weak global recovery and the Brexit uncertainty have prompted central banks to keep interest rates unchanged for the time being.

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SAUDI SEEKS ROLE AS REGIONAL FINANCIAL HUB

The Financial Sector Conference, which will be held in April in Riyadh, is set to highlight the key features of Saudi Arabia's Financial Sector Development Programme, attract investor interest and lead to new prospects for domestic and international businesses.

The conference, to be held under the patronage of the Custodian of the Two Holy Mosques King Salman bin Abdulaziz Al Saud, is part of the overarching Saudi Vision 2030 initiative, and is expected to be the first of many to come as the kingdom's financial services sector flexes its muscles.

The first edition of the event will take place on April 24 and 25 in the Saudi capital, and aims to become the region's most high-profile gathering of investment executives.

The two-day conference will include a comprehensive agenda focused on local, regional and international business leaders. The event is expected to be attended by executives from the public and private sectors, international financial institutions, major consultancies and financial services firms, international rating agencies, and other financial services experts, according to the Saudi Press Agency.

"The Financial Sector Conference will be the premier financial event in the kingdom and the Middle East," said Mohammed Al-Jadaan, finance minister and chairman of the FSDP committee. "It will attract decision makers from the financial sector and senior executives from financial institutions. This move will enable the Financial Sector Conference to become the most prominent financial sector event locally and regionally, as well as attract a number of important personalities in the financial sector who play an important role in the global economy".

Indeed, as the largest financial market in the Middle East, Saudi Arabia is keen to emerge as a hub for industry leaders in finance, investment, insurance and banking can meet to exchange experiences and information, discuss critical challenges, highlight important regulations and rules, and review global best practices to develop the financial sector, Al-Jadaan added.

The conference will highlight several topics, including financial sector capacity building, financial technology (fintech), competitiveness, Islamic finance, real estate finance, and opportunities in the insurance market.

A host of financial service products and innovations will also be displayed on the sidelines of the main event, apart from workshops and panel discussions.

FINANCIAL PROGRAMME

The Financial Sector Development Program (FDSP) is crucial in achieving the objectives of Vision 2030. The programme seeks to establish Saudi's financial services sector as a diversified and effective industry to support national economic development by stimulating savings, finance, and investment, according to authorities.

The conference should help raise awareness and accelerate the three essential goals of the FDSP. The first objective is to ensure the formation of an advanced capital market; second is to enable financial institutions to support private sector growth; and third is promote and enable financial planning, such as retirement and savings.

The kingdom has already made significant headway. The opening of the Tadawul stock market has allowed international institutional investors to enter the market. In addition, the MSCI emerging market upgrade last year has raised the bourse's profile in global financial markets and encouraged emerging market benchmark fund managers to invest in the domestic stock market.

Other financial service sector reforms are being rolled out.

Saudi Arabia Monetary Agency (SAMA) launched the operational model of the Unified Monetary Centres (UMC) to support the development of the national economy and the financial sector. The UMC 'Multi-Bank Cash Center'-MBCC programme focuses on combining the institution's cash centre and local banks into unified centres that can deliver service to all local banks and retail sectors with superior quality standards and advanced technical solution, according to the latest report from the FDSP newsletter.

SAUDI ECONOMY

The Financial Sector Conference should boost non-oil economic activity at a time when the Saudi economy is already showing further signs of improvement.

The country's purchasing managers index showed strength in February, on the back of surging new orders.

"The upturn in business conditions seen in February was led by a steep and accelerated increase in new business – the sharpest seen since August 2015," according to consultancy Markit, which tracks monthly PMI data around the world. "Export sales were down on the month, indicating that the main impetus continued to come from the domestic market."

Consumer price index also decreased 0.3% in January, compared to December, according to the General Statistics Authority. Housing, water and electricity prices fell 1.1%, while clothing and footwear, and recreation prices both fell 0.3% during the month. Food and beverage prices also fell 0.1%. Compared to the same period last year, inflation rate has fallen 1.9%.

SAUDI ARABIA MAINTAINS STEADY INVESTMENTS IN HYDROCARBONS

Saudi Aramco made a major investment in China in February, after it signed a deal with NORINCO Group and Panjin Sincen to form a joint venture that will develop a fully integrated refining and petrochemical complex in the city of Panjin in Liaoning province.

The companies said a new jointly owned company, Huajin Aramco Petrochemical Co. Ltd., will develop a 300,000-barrel-per-day (bpd) refinery with a 1.5 million metric tonnes per annum (mmtpa) ethylene cracker and a 1.3 mmtpa PX unit. Saudi Aramco will supply up to 70% of the crude feedstock for the complex, which is expected to begin operations by 2024.

Aramco also signed three memorandums of understanding (MoUs) to expand its downstream presence in the Zhejiang province, one of China's most developed regions. The company aims to acquire a 9% stake in Zhejiang Petrochemical's 800,000 bpd integrated refinery and petrochemical complex, located in the city of Zhoushan.

"The first agreement was signed with the Zhoushan government to acquire its 9% stake in the project. The second agreement was signed with Rongsheng Petrochemical, Juhua Group, and Tongkun Group, who are the other shareholders of Zhejiang Petrochemical," the company said, adding that the project will come with a long-term crude supply agreement and the ability to utilise Zhejiang Petrochemical's large crude oil storage facility to serve its customers in Asia.

The first phase of the project will feature a newly built 400,000 bpd refinery with a 1.4 mmtpa ethylene cracker unit, and a 5.2 mmtpa aromatics unit. The second phase will see a further 400,000 bpd refinery expansion, which will include deeper chemical integration than the first phase.

RETAIL FUEL DEAL

Meanwhile, Aramco and France's Total ASA agreed to develop a network of retail fuel service stations in Saudi Arabia. The 50:50 joint venture aims to invest around USD 1 billion over the next six years in the Saudi retail fuel market to raise the standards of fuels and retail services in the kingdom.

The deal will mark the first time that an international oil company has invested in Saudi Arabia's retail fuel network.

The two companies also signed an agreement with the owners of Tas'helat Marketing Company (TMC) and Sahel Transport Company (STC) to acquire their retail fuel networks and create a powerhouse of

270 service stations. Saudi Aramco and Total plan to modernise the network and build state-of-the-art service stations at selected locations.

"With this new business, we aim to enhance the quality of services, as well as create jobs and additional investment opportunities in the kingdom," said Abdulaziz Al-Judaimi, Saudi Aramco's senior vice president of downstream and chairman of the JV board.

"This JV aligns with Saudi Vision 2030 and supports the goals of the Infrastructure and Transportation Initiative under the Quality of Life programme. This project is designed to also help optimise the total value of our hydrocarbon resources."

GLOBAL OIL DEMAND

Aramco's investment in the domestic and global oil sector is vital to meet growing demand for the commodity. Indeed, key Aramco executives believe that the world is not investing enough in fossil fuels, which could impact the stable supply of vital energy source.

"There is very little thought given to the massive global energy infrastructure that would need to be transformed in every corner of the world, costing trillions of dollars, bearing in mind under-developed countries that cannot afford expensive technologies," Amin H. Nasser, Saudi Aramco president and CEO, told oil executives at the International Petroleum Week in London in February.

"Only recently, we saw what a supply deficit of a couple of million barrels per day can do to the oil market," he said. "Imagine what 20 million barrels fewer per day would do – which would be the shortfall in five years if investments stopped today."

The International Energy Agency concurs with the Aramco view. The energy watchdog said global oil demand growth will grow by an average of 1.2 million bpd annually until 2024, "meaning there is no peak demand on the horizon."

"From 99.2 million bpd in 2018, we expect global oil demand to grow to 106.4 million bpd in 2024," the IEA said in its latest oil outlook.

"Asia Pacific will be the fastest growing region, contributing 4.4 million bpd of the total. The Middle East increases by 0.9 million bpd, while Africa and the Americas expand by 0.6 million bpd and 0.9 million bpd, respectively. European oil demand is expected to post a 0.1 million bpd decrease."

Amid this steady increase in global demand, Aramco is playing the role of the responsible supplier by investing in its oil and gas resources, even as global investments in the sector remain muted.

VISION 2030: SAUDI SPEEDS UP EFFORTS TO REACH TARGETS

Saudi Arabia is moving at lightning speed to achieve its Vision 2030 goals, which aim to transform its economy by reducing its fiscal reliance on oil revenues.

The latest Fiscal Balance Program update offers a clear insight into Saudi authorities' efforts to meet some of the goals. This includes outlining how the government is pursuing an expansionary spending policy in 2019, aimed at revitalising the economy, speeding up the implementation of initiatives and projects under Saudi Vision 2030, and strengthening the efficiency of social benefits spending.

"The 2019 budget is also designed to maintain momentum in achieving a fiscal balance by 2023, while the government pursues the establishment of a clear medium-term expenditure framework in line with the strategic objectives of the Saudi Vision 2030, and to achieve a balanced budget by 2023," according to the new report.

"Expenditure levels are determined within this fiscal policy, and with a debt level target not to exceed 30% of GDP. Expenditure is targeted to enhance economic growth."

Government spending has been rising steadily and is set to grow 7.3% this year to SAR 1.106 trillion, compared to 2018 estimates. The increase will drive the expansion of expenditure on the Vision Realisation Programmes and Initiatives, and will raise spending on social welfare and investment to stimulate economic activities and infrastructure development; thus encouraging private sector participation and the creation of more job opportunities.

"SAR 200 billion has been allocated to the Private Sector Stimulus Plan over the medium term," the report noted. "This has been launched in several phases and work on preparing the third phase of the incentive packages has progressed. The plan aims to stimulate the economy, boost the confidence of the private sector and remove obstacles, so as to maximise the private sector's contribution to GDP in line with the aspirations of Vision 2030."

MAJOR INITIATIVES

The National Industrial Development and Logistics Program (NIDLP) is the latest major initiative rolled out by authorities as part of Saudi Vision 2030. It aims to develop projects in industries such as pharmaceuticals, medical supplies, machinery and equipment, automotive, food, and military.

"The NIDLP seeks to position KSA as a leading industrial destination and a global logistics hub. To that end, KSA needs a new growth approach based on utilising its competitive advantages, increasing private sector participation and underlining clear socio-economic benefits," according to an NIDLP document.

In addition, new government entities, such as the National Center for Performance Management (Adaa) and delivery unit, have been established to improve the quality of services provided to citizens. Other entities, such as the Local Content and Government Procurement Commission, have promoted private sector participation.

A new strategy for the General Entertainment Authority (GEA) was also unveiled in January to improve the lifestyle, as well as the general mental and physical well-being of Saudi citizens. The GEA signed a number of memorandums of understanding with government and private entities, including the Saudi Standards, Metrology and Quality Organisation, the Ministry of Municipal and Rural Affairs, the General Authority for Small and Medium Enterprises, and Silah Company to attract international events.

A slew of agreements to organise marquee events were also signed with local and international companies, including Italy's Balich, Japan's AVEX, UAE's Broadway Entertainment, and UK's 1001 Inventions.

"Other promising changes for Saudi society have included increases in the involvement of women in the economy as well as more agile governance indecision making," according to Dr. Hussain Abusaaq, chief economist and head of research at KPMG in Riyadh.

"The latter helps ensure the exploitation of potential opportunities, both locally and globally, and the ability to adjust quickly to dynamic changes in various industries and the private sector. Vision 2030 and the National Transformation Programme have introduced aggressive metrics to all government ministries and agencies in an effort to professionalise their performance as well as their workforce.

"Although many more are needed, many young, technologically savvy Saudis are finding rewarding opportunities that didn't exist before. Numerous 'giga' projects such as NEOM, Qiddiyah and the Red Sea Project have been launched, which are expected to impact growth in the long term," Abusaaq said.

Vision 2030's all-encompassing changes affecting every aspect of the economy, are already boosting economic activity, which should accelerate further as the MoUs and agreements are executed over the next few weeks and months.

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SAUDI HEADS EAST IN BID TO BOLSTER ITS INDUSTRIES

Saudi Arabia is looking east to bolster its industrial and manufacturing sectors. In the first two months of 2019, the country signed a slew of agreements with China, India, and Pakistan, covering a range of sectors with the aim to collaborate on joint ventures and share technical know-how.

In February, Saudi Arabia and China signed 35 bilateral economic agreements valued at USD 28 billion. Some of the deals focused on industry, such as a memorandum of understanding (MoU) between the Saudi Ministry of Energy, Industry and Mineral Resources and the National Development and Reform Commission in the People's Republic of China to strengthen co-operation in production capacity and investment.

Saudi Arabia's Public Investment Fund and the China National Energy Authority also agreed to collaborate on investment in renewable energy, while a separate MoU on renewable energy projects was signed by Mohammed Abunyan, chairman of the board of directors of Aqua Power, and Wang Yanzhi, director general of Silk Road Fund.

"We want to invite companies of all types, not just in oil and petrochemical fields, but also in renewable energy, auto manufacturing, pharmaceuticals and aerospace," said Khalid bin Abdulaziz Al-Falih, the Saudi minister of energy, industry and mineral resources.

CASTING A WIDER NET

Saudi Aramco acquired 9% of the Ji Jiang Petrochemicals Project for the production of refining of ethylene and barilene (PX) products. It also agreed to collaborate with North China Industrial Company and Xincheng Investment Company (NORINCO) of Panjin City, Liaoning Province on the creation of a joint company for the fine chemical and material engineering industry.

In India, Saudi crown prince Mohammed bin Salman signed nine agreements primarily in manufacturing and industry segments, such as minerals, exploration, pharmaceuticals, communications and information technology.

The MoUs were signed by Saudi's Ministry of Communications and Information Technology, the General Entertainment Authority, the National Industrial Clusters Development Program (NICDP), and the Saudi Arabian General Investment Authority (SAGIA), with India's TCS, Wipro, Glenmark and ION Exchange.

In addition, the Saudi Ministry of Energy, Industry and Mineral Resources signed an MoU with Glenmark on the expansion of its pharmaceuticals industry, and with Middle East Healthcare Company and Indian Trifatron Company to localise the medical supplies industry.

SAGIA granted four service, industrial and commercial licenses to Indian companies AWJ Energy, SecurEyes, Carnival Cinemas and Red Sea Arabia Company to establish operations in Saudi Arabia.

Saudi Arabian Mining Company (Maaden) also signed two MoUs with IPL Company and Krishak Bharati Cooperative Limited to supply 5 million tonnes of phosphate fertilisers to the Indian market at an estimated value of USD 2 billion.

Indian business executives have shown keen interest in Saudi Arabia's USD 453 billion National Industrial Development and Logistics Program (NIDLP), which presents diverse opportunities for Indian investors looking to expand their footprint in the Middle East's largest economy.

"The number of SAGIA licences issued to Indian businesses grew by 181% in 2018 and the agreements signed today are indicative of the interest among Indian businesses to take advantage of these opportunities," said Ibrahim Al-Omar, governor of SAGIA. "We look forward to continuing to build even stronger ties in the months and years to come."

The Ministry of Energy, Industry and Natural Resources also signed MoUs with Pakistan during the crown prince's recent visit. The country agreed on a SAR 22.5 billion deal in the energy and mining sector, a SAR 7.5 billion agreement on renewable energy, and refining and petrochemical projects valued at SAR 37 billion.

NIDLP

The string of new agreements is part of the all-encompassing NIDLP, which aims to transform Saudi Arabia into a leading industrial powerhouse and a global logistics hub in promising growth sectors.

In January, the government offered new manufacturing incentives to attract international investors to the NIDLP initiative.

Among the announced deals, which included MoUs, was an agreement with French aerospace and defence company Thales and CMI of Belgium in military industry co-operation.

The Saudi Export Development Authority and the Saudi Industrial Development Fund reached a financing agreement worth USD 840 million for the construction of the Trans-Saudi Arabia plant in Jazan for basic and transformational industries, one of China's flagship Belt and Road Initiatives.

The NIDLP aims to strengthen the military industries, expand the oil and gas sector, develop the food industries, enhance the role of local content in the industrial sector and develop a robust aquaculture industry.

"In this context, a number of initiatives have been developed most prominently the establishment of capacity development centres specialised in Industry 4.0 technologies, enabling leading industrial players to use modern technologies that will assist them to increase competitiveness and productivity," according to NIDLP document.

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KAFALAH HELPS SAUDI SMES WRITE THEIR GROWTH STORY

The Small and Medium Enterprises Loan Guarantee Programme, also known as Kafalah, has been a vital initiative by the Saudi Industrial Development Fund to nurture SMEs and create job opportunities across the kingdom.

Established in 2006, the programme has received strong impetus as the government aims to increase SMEs' contribution to the economy from 20% of GDP to 35% by 2030, as part of the Vision 2030 initiative.

Since its inception, Kafalah has provided bank loan guarantees to 10,583 SMEs, of which 80% are in the construction, trade and services sectors. Those guarantees have amounted to SAR 10.8 billion (0.4% of GDP) and covered an average 55% of total loans to SMEs by 2017, according to the latest available data from the International Monetary Fund.

SMEs were provided a fillip in 2017 when the SIDF received a capital injection of SAR 800 million for Kafalah. According to the Financial Sector Development Program Charter, the programme is expected to be restructured to improve its focus on specific sectors and regions.

SIDF has also signed agreements with all Saudi banks, and five other major financing institutions to boost SME financing.

The Kafalah initiative – which in Arabic means a guarantee or formal assurance that certain conditions will be fulfilled relating to financial deal – aims to provide entrepreneurs with assistance to either launch or grow their businesses.

The first step is to submit a financing request to one of the institutions that partners SIDF under the programme. If the lender needs guarantees to cover the risks associated with lending to new or developing businesses, it can request such guarantees from the programme.

BANK SUPPORT

Banks are in a position to finance qualified customers up to SAR 2 million for a maximum of seven years.

SIDF has also created the "Afaq" programme to support and enable SMEs. Its incentives for companies that have proven their competitiveness include disbursement of 30% of the loan amount in advance, longer repayment period with fewer creditworthiness requirements, and benefiting from "Tamouh" programme of the Small and Medium Enterprises General Authority.

Other SIDF initiatives for small enterprises include "Energy Efficiency Financing" and "Digital Transformation Financing" that aim to enhance energy efficiency, reduce cost and utilise the latest technologies to streamline work processes and productivity.

Separately, other government initiatives to facilitate that the growth of small companies included SAR 1.6 billion of indirect financing, and the reimbursement of customs fees to the tune of SAR 7 billion.

NOMU FOR SMES

Tadawul, the region's largest stock exchange is also eyeing the small sector space, as it sees SMEs as future national champions that will drive the non-oil economy.

In February, the Saudi stock exchange made significant changes to its parallel market Nomu, primarily to support small enterprises entering the public markets. The structural changes are to be implemented in two phases, the first one in the first quarter of 2019, and the second in the second quarter of this year.

Changes in the first phase include provisions to allow direct listings on Nomu Parallel Market without an initial public offering (IPO). Other requirements include reporting financial earnings on a semi-annual basis rather than quarterly-based reporting; streamlining the process for issuers to transition from the parallel market to the main market; establishing access mechanisms by applying minimum liquidity threshold; reducing normal trade threshold; and introducing Nomu Capped Index.

The second phase will feature listing of close-ended funds and real estate investment trusts on Nomu, apart from introducing volatility guards and independent research.

"These initiatives are part of our ongoing strategic plans to further develop Nomu – the Parallel Market. We are constantly working on making Nomu a more flexible attractive platform for both investors and potential companies," said Khalid Al Hussan, chief executive officer of Tadawul. "Throughout the past two years, we have been carefully analysing the market and taking into consideration the needs of market participants".

The CEO believes appealing to the smaller and mid-tier companies will generate more diverse investment opportunities and instruments for all capital market participants.

CENTRAL BANKS KEEP A LID ON INTEREST RATES

Central bankers are suddenly turning dovish. Late last year, the US Federal Reserve and the European Central Bank (ECB) have indicated that the era of low interest rates was coming to an end. However, a spate of lacklustre economic data suggests central bankers may keep their powder dry for some time and resist the urge to hike interest rates.

Equity risk premiums have been on the decline – most notably for the US, but also across the euro area and Japan. Nonetheless, market analysts question how well sentiment will hold up given the cloud of "known unknowns" hanging over the markets. Of these, global growth prospects stand out at the moment, with a barrage of warnings as China lowered its 2019 growth target, and the OECD highlighted trade risks, while the ECB slashed growth forecasts in the euro area.

In March, US Federal Reserve chairman Jerome Powell said the US central bank does "not feel any hurry" to change the level of interest rates again, as it watches how a slowing global economy affects conditions in the United States.

The moderation comes as US employment growth almost stalled in February, with the economy creating only 20,000 jobs, adding to signs of a sharp slowdown in economic activity in the first quarter of 2019. The mixed report was another indication the US economy, which in July is set to mark a record 10 years of expansion, is slowing as the stimulus from a USD 1.5 trillion tax cut and increased government spending ebbs.

The US dollar index has risen 0.46% year to date, struggling to gain traction amid lacklustre growth, especially as latest retail sales over the past months have been weak.

"The (US) buck's muted response stems from how poor spending the month before fit with the narrative of the economy losing altitude into the new year, a scenario that should keep US interest rates grounded over the foreseeable future," Joe Manimbo, senior market analyst at Western Union Business Solutions told Reuters.

PRESSURE MOUNTS ON EURO

Meanwhile, the ECB also extended its forward guidance through to the end of 2019 and announced an additional tranche of longer-term refinancing operation (TLTROs), aiming to compress the spread between commercial and constrained policy rates. It slashed its forecasts, and still concluded the risks to the outlook were tilted to the downside.

"We now expect them (the interest rates) to remain at their present levels at least through the end of 2019, and in any case for as long as necessary to ensure the continued sustained convergence of inflation to levels that are below, but close to, 2% over the medium term," the ECB said in early March.

The euro has fallen 1.93% in the first three months of the year against the US dollar, amid weak outlook.

Another headwind for the euro is Britain's protracted negotiations with the European Union. A survey showed that the British economy came close to stagnating again in February as services companies, preparing for Brexit, cut staff at the fastest rate in more than seven years and consumers reined in their spending.

Data firm IHS Markit said its UK Services Purchasing Managers' Index showed Britain's economy was set to grow by just 0.1% in the first three months of 2019 compared with the last quarter of 2018.

"There is a genuine chance now that the Bank of England will sit tight on interest rates through 2019 – especially if Brexit is delayed and extends the uncertainty," Howard Archer, an economist with EY Item Club, told Reuters.

ASIAN CURRENCIES FALTER

The Japanese economy grew faster than expected in October to December 2018 by 1.9%, according to data from the Cabinet Office. But the outlook remains bleak with analysts expecting Bank of Japan to maintain interest rates in their meeting later in March, amid global trade tariff wars.

Meanwhile, the Chinese economy is expected to cool to around 6.2 % this year, a 29-year low, according to Reuters polls.

Growth slowed to 6.6% last year, with domestic demand curbed by higher borrowing rates and tighter credit conditions and exporters hit by the escalating trade war with the United States.

The yuan has fallen 2.21% against the US dollar this year, and it is expected to be weaker as China's central bank has pledged more easing to stimulate the economy.

China reported milder inflation in February, with consumer prices at the lowest level since January 2018, leaving room for authorities to manoeuvre macroeconomic-control policies.

Tang Jianwei, an analyst with China's Bank of Communications financial research centre, said he expects the country to make more targeted reserve requirement rate cuts to boost lending to private, and small and micro enterprises.

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