

EFFECT OF SAUDI OIL SALES IN CHINESE YUAN

ANALYSIS SUMMARY – 16th March 2022

On 15th March 2022 it was reported that Saudi Arabia is going to sell crude oil to China in Yuan as opposed to US Dollars. TANGENT® analyzed the economic and effect of new course of action.

Using a projected growth based average of 2.5 million barrels of oil bought by China per day from Saudi Arabia, and based on a conservative empirical price range of \$75 - \$110 per barrel, the annual quantum is going to be worth \$70 - \$110 billion. These values will be higher in the event of more consumption and higher prices.

Following is a summary of TANGENT®'s analysis:

1. This quantum of transaction will
 - a. release \$70 - \$110 billion into the currency market.
 - b. consume \$70 - \$110 billion worth of Yuan from the currency market.
2. Currency revaluations will occur
 - a. The US Dollar is expected to come under pressure and lose parity value against other currencies especially the Yuan. If the US Dollar falls, the US will have to, most likely, raise interest rates.
 - b. The Chinese Yuan will become more demanded which will most likely raise its price in the currency market. If the Yuan rises in the currency market, China will have to, most likely, reduce interest rates.
3. The Saudi Riyal will also come into play, although it is not explicitly and repeatedly mentioned.
4. There will be geo political ramifications.

For queries you can write to outreach@tangent.com.pk.

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