



U.S.-Saudi Business Council
مجلس الأعمال السعودي الأمريكي

Weekly Market Brief
Week Ending February 4, 2022

SAUDI ARABIAN MARKET

Saudi Arabia Macroeconomic Developments

- Saudi Arabian banks reported a 23 percent MoM rise (+131 percent YoY) in aggregate net profits with a value of SAR5.1 billion (\$1.4 billion) in December 2021 from SAR4 billion (\$1.1 billion) in November 2021 and SAR2.2 billion (\$589 million) last year. Total bank assets in the Kingdom grew 1.3 percent MoM (+10 percent YoY) in December from SAR3.24 trillion (\$863.5 billion) to SAR3.28 trillion (\$874.1 billion).
- Saudi Arabia's non-oil economy continued to expand in January but new business saw the slowest pace of growth since October 2020. IHS Markit's Purchasing Managers' Index (PMI) fell to 53.2 points in January, down from last month's 53.9 reading. Export sales decreased for the first time since last March as companies identified high costs for global shipping and transportation.
- Consumer spending in Saudi Arabia rose 1 percent in December to reach SAR93.2 billion (\$24.9 billion). Consumer spending is up 7 percent from the same period last year. Total sales for restaurants and cafes recorded a strong increase at the end of 2021, reaching a record SAR 62.7 billion (\$16.7 billion).

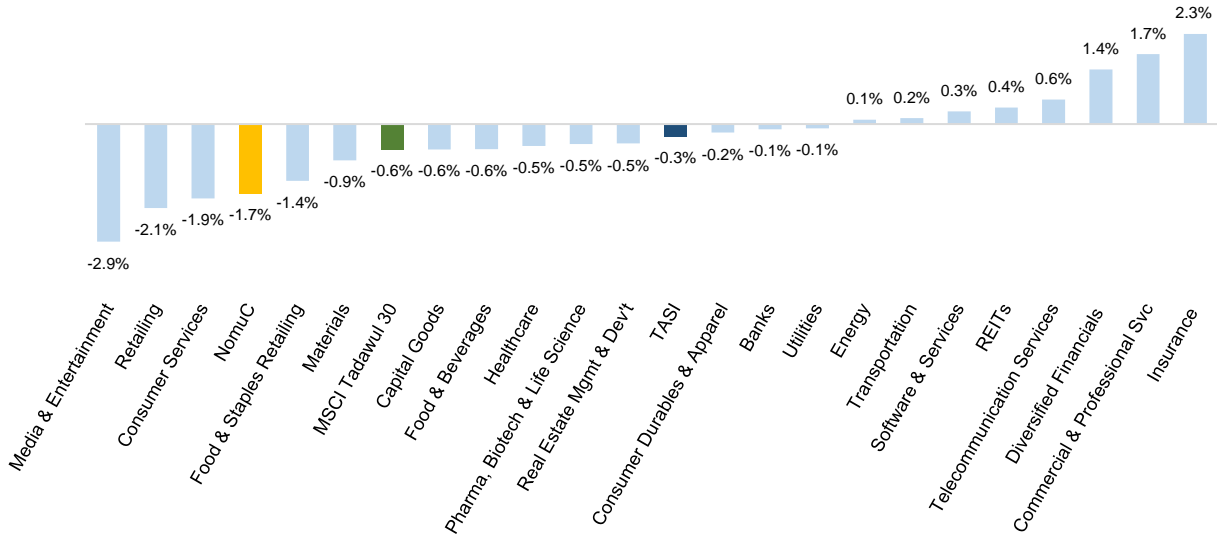


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Tadawul

The TASI fell 0.4 percent last week and closed at 12,142 points. 'Insurance' rose 2.3 percent followed by 'Commercial & Professional Services' and 'Diversified Financials' at 1.7 percent and 1.4 percent, respectively. 'Media & Entertainment' fell by 2.9 percent. The NomuC parallel market index fell 1.7 percent and the MSCI Tadawul 30 declined 0.3 percent, closing at 1,692 points.

Tadawul Weekly Index Performance - February 4, 2022



Source: Tadawul, USSBC

- Public Investment Fund (PIF) subsidiary Elm Company issued an IPO on February 3 of 24 million shares with a share price of SAR128 (\$34.10). The offering closed on February 6. The book-building process was completed last week with institutional offers reportedly 70 times oversubscribed, totaling SAR213 billion (\$57 billion). The final offer size was SAR3.1 billion (\$818 million).
- Raom Trading Company issued an initial public offering (IPO) on January 30 with an offering price of SAR80 (\$21.30) and a total of 5 million shares. The offer closed on February 3.



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- Scientific and Medical Equipment House issued an IPO on January 31 with an offering of 6 million shares and a share price range between SAR45-52 (\$12-13.90). The offer closed on February 3.
- Saudi Aramco is reportedly weighing plans to list more shares of the company on public exchanges. The size of the offering under consideration may be as large as 2.5 percent of the company's current capitalization, or roughly SAR188 billion (\$50 billion), according to the Wall Street Journal.

Business, Trade, & Investment

- Saudi Arabia launched investments worth SAR24 billion (\$6.4 billion) in future technologies, according to the Ministry of Communications & Information Technology (MCIT). The investments included the launch of venture capital funds, business accelerators, and new initiatives in the cloud computing and data connectivity space.
- Saudi-based Red Sea Farms announced a partnership with the University of Arizona's College of Agriculture and Life Sciences to evaluate the company's technologies with the aim of deploying them in water-scarce parts of the U.S.
- Parsons Corporation announced its selection by NEOM to provide project management support in building OXAGON, a planned industrial city project.
- Saudi Aramco officially launched its venture capital fund, Prosperity7 Ventures, with an initial capital of SAR1 billion (\$267 million). The fund, which has functionally operated for more than a year, was launched at the Leap 22 technology conference in Riyadh. The fund is headquartered in Dhahran with offices in Palo Alto and New York.
- King Salman Park Foundation (KSPF) awarded a joint venture of Freyssinet Saudi Arabia and local firm Haif Company a contract to deliver infrastructure works for the King Salman Park project in Riyadh. The project includes the construction of five loop and two boulevard bridges.
- Saudi Basic Industries Corp. (SABIC) signed an agreement to acquire Clariant's 50 percent stake in Scientific Design Company Inc. The company is a 50-50 joint venture between SABIC and Clariant. Scientific Design focuses on the delivery of high-performance catalysts and technology services.



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- The PIF was assigned an 'A' credit rating with a stable outlook by Fitch Ratings. The PIF separately stated it was in talks with banks to exercise an extension option on a SAR56.3 billion (\$15 billion) revolving credit facility originally signed in March 2021.
- Apple launched its first all-female Apple Developer Academy in Riyadh last week. The academy is Apple's first coding institute in the Middle East and is part of a partnership with Princess Nourah bint Abdulrahman University and the Saudi Federation for Cybersecurity, Programming, and Drones.
- Saudi Arabia licensed 80 new factories worth SAR 3.2 billion (\$853 million) in December 2021, recent data issued by the Ministry of Industry and Mineral Resources (MIMR) showed. MIMR issued 235 new mining licenses during December 2021. These licenses included 203 licenses for building materials, 24 detection licenses and 8 exploration licenses.
- The King Abdulaziz Royal Reserve Development Authority announced the signing of investment contracts to build two tourist resorts in Rawdat Al-Khafs and Qalta Umm Qalidah. The resorts will be built on a large area within the reserve and will include sports facilities, camp sites, hotels, restaurants, and areas for stargazing and other special events
- Saudi Arabia has unveiled a new public-private partnership (PPP) residential project, Bilar City, in western Makkah and will comprise 618 apartments. The government-owned National Housing Company (NHC) is constructing the apartments in partnership with private developers.

Banking

Weekly money supply M1 rose 0.9 percent while M2 and M3 rose 0.16 and 0.01 percent, respectively, during the week ending January 28.



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U.S. MARKETS

U.S. Macroeconomic Developments

- The U.S. economy netted 467K jobs in January, surpassing market expectations. Employment growth was broad-based across most industries and the previous two months were upwardly revised. Wage growth also topped expectations. The unemployment rate for January remained at 4 percent with 6.5 million people unemployed. Average hourly earnings rose 0.7 percent during the month.
- Construction spending rose 0.2 percent during December. Total spending in 2021 was up 9 percent compared to the previous year. Nonresidential spending fell 0.7 percent which ended a five-month positive streak. The small gain in construction spending was entirely due to a 1.1 percent increase in residential spending.
- The IHS Markit U.S. Manufacturing PMI fell 3 percent to 55.0 points in January compared to a 56.7 reading in December, indicating the slowest growth in factory activity in 15 months. Output levels were broadly unchanged, but new order growth slowed to the softest rate since July 2020.

Fixed Income

The yield on the ten-year U.S. Treasury increased to 1.93 percent.

Equity Markets

The Dow Jones Industrial Average (DJIA) rose 1.1 percent and finished the week at 35,090 points. The S&P 500 gained 1.6 percent and finished at 4,501 points, and the NASDAQ rose 2.4 percent and finished at 14,098 points. During January, DJIA fell 3.3 percent, the S&P fell 5.3 percent, and the NASDAQ dropped 9 percent in the worst month for U.S. stocks since the beginning of the COVID-19 pandemic.



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GLOBAL MARKETS

- Arab Light crude rose 1.2 percent and finished the week at \$90.27 as oil prices hit a seven-year high. Global benchmark Brent crude gained 3.6 percent and finished the week at \$93.27 and West Texas Intermediate (WTI) rose 6.3 percent and closed at \$92.31. Oil futures secured their seventh consecutive weekly gain amid cold weather conditions and ongoing political tensions in key energy markets. OPEC+ is expected to adhere to a planned 400,000 barrel per day (bpd) increase in supply, but an OPEC+ survey showed several nations fell well short of the production target in December. During January, all three major oil grades (Brent, WTI, and Arab Light) rose 17 percent, posting the largest monthly gain in a year amid tight supply and geopolitical tensions.
- Egypt's non-oil sector PMI slipped to 47.9 points in January from 49 in December, the lowest since April 2021. Weak demand led to output declining the most in over 18 months while new orders shrank and employment levels fell. Outlook for future activity improved. Egypt's debt is expected to fall below 90 percent of GDP by the end of this fiscal year and the country plans to float ten state-run companies this year on its exchange via IPOs and secondary offerings.
- U.A.E.'s non-oil private sector PMI eased to 54.1 points in January from December's 55.6 reading, the slowest since July. Output and employment fell near the 50-point mark which separates growth from contraction, while the pace of new orders continued to increase. Output prices fell for the sixth consecutive month even as purchasing costs rose for the 14th straight month. Inflation in the U.A.E. has been rising with headline and food CPI increasing to 5 percent and 3.7 percent, respectively.

THE WEEK AHEAD

- U.S. releases balance of trade figures for December on February 8
- Saudi Arabia releases industrial production for December on February 10
- Saudi Arabia Q4 GDP flash estimate released on February 10