



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

Weekly Market Brief
Week Ending February 11, 2022

SAUDI ARABIAN MARKET

Saudi Arabia Macroeconomic Developments

- Saudi Arabia's economy grew 6.8 percent YoY in Q4, according to flash estimates from the General Authority for Statistics (GStat). The oil sector increased 10.8 percent while the non-oil sector rose 5 percent. Government services climbed 2.4 percent over the same period. The initial estimate brings Saudi Arabia's full-year real GDP growth in 2021 to 3.3 percent.
- Sukuk issuances in Saudi Arabia rose by 37 percent YoY to SAR138.4 billion (\$36.9 billion) in 2021, according to S&P Global Ratings. Government sukuk accounted for approximately SAR77.9 billion (\$20.8 billion), or 56 percent, while corporate issuances accounted for the remainder. Total global sukuk issuances meanwhile declined 0.7 percent to SAR553 billion (\$147.4 billion) in 2021.
- Moody's assigned PIF with a first-time issuer rating of A1 with a stable outlook, citing strong fundamental credit strengths and the 'very high' level of interdependence between the government and PIF. Fitch assigned PIF a long-term issuer rating of A with a stable outlook last week.
- Saudi Arabia's industrial production rose 11.2 percent YoY in December, the second highest rate in three years. 'Mining' and quarrying' grew by 11.6 percent while 'manufacturing' rose 9.7 percent. 'Electricity and gas supply' rose 12 percent. December marked the eighth consecutive month of growth for the Kingdom's industrial sector.

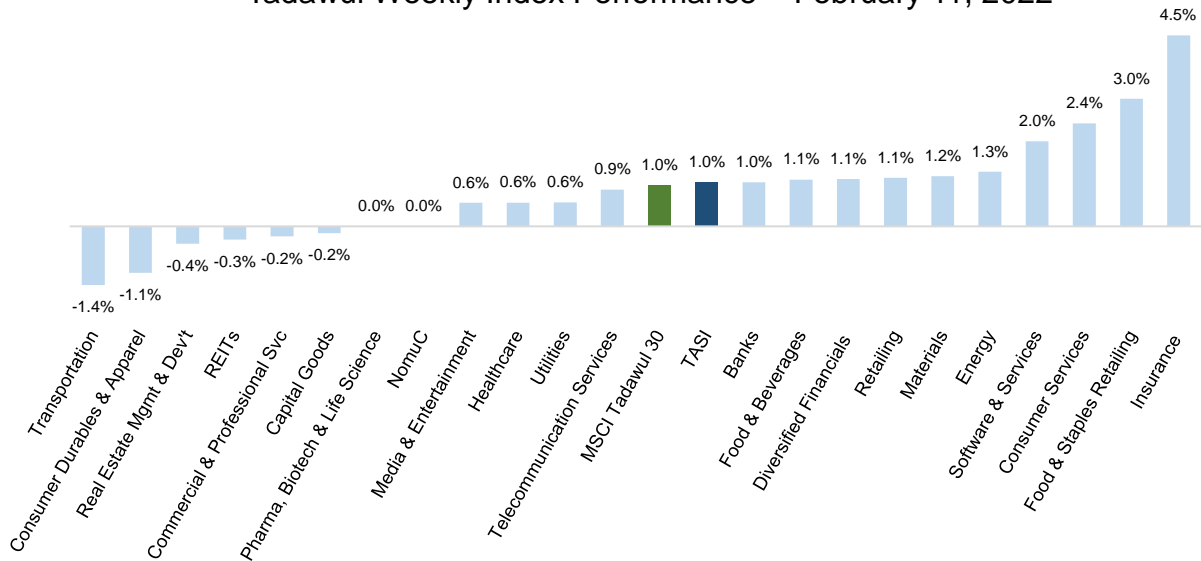


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Tadawul

The TASI rose 1 percent last week and closed at 12,269 points. ‘Insurance’ led other sectors for the second consecutive week, rising 4.5 percent, followed by ‘Food & Staples Retailing’ and ‘Consumer Services,’ which rose 3 percent and 2.4 percent, respectively. ‘Transportation’ led losses and fell by 1.4 percent. The NomuC parallel market index remained flat on the week while the MSCI Tadawul 30 rose 1 percent, closing at 1,709 points.

Tadawul Weekly Index Performance - February 11, 2022



Source: Tadawul, USSBC

- Saudi Aramco reportedly transferred four percent of its shares worth SAR300 billion (\$80 billion) to the Public Investment Fund (PIF). Saudi Aramco stated the private transaction between the government and state fund would not affect the number of issued shares nor the company’s operations or governance framework.



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Business, Trade, & Investment

- PIF acquired a controlling stake in interior design and specialty contractor Depa Plc for SAR153 million (\$40.8 million). Depa listed on Nasdaq Dubai in 2008 and was responsible for interior works including the Burj Khalifa, Emirates Palace, and other recognized projects.
- Saline Water Conversion Corporation (SWCC) and the National Water Company (NWC) signed an agreement to design and implement 15 water production stations over the next nine months across Dammam, Jubail, and Khobar. The stations will utilize reverse osmosis (RO) technology.
- Olayan Financing Company selected local firm Al-Bawani to deliver a SAR250 million (\$66 million) main works package for a long-term acute care hospital in Riyadh. The 152-bed hospital is due for completion in 2024.
- Diriyah Gate Development Authority (DGDA) awarded a SAR1.2 billion (\$311 million) contract to Nesma & Partners to construct a network of road tunnels, ramps, and a major bridge deck that will form the primary Diriyah interchange on Riyadh's Western Ring Road.
- Saudi Aramco awarded a consortium of India's Larsen & Toubro and U.K.'s Subsea7 a pair of offshore brownfield contracts valued at a combined SAR1.2 billion (\$320 million). The work entails replacement of high-voltage motor control equipment at gas oil separation plants at the Safaniya offshore development.
- Swiss IT firm Nextthink announced a partnership with solutions by stc to support government and enterprise customers in digital transformation. Nextthink expanded its presence in the Kingdom in 2019 through service contracts with key finance, defense, healthcare, and government clients.
- NEOM and MBC Group signed an agreement to establish a joint venture for the region's first AAA tier game development studio. The studio is expected to form an integral part of the NEOM Media Hub at the gigaproject site in Tabuk.

Banking

Weekly money supply M1, M2, and M3 fell 1 percent, 0.4 percent, and 0.2 percent, respectively, during the week ending February 3.



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U.S. MARKETS

U.S. Macroeconomic Developments

- U.S. consumer prices rose 7.5 percent YoY in January, the highest in 40 years. Core inflation, which excludes volatile food and energy costs, rose 6 percent YoY. Both rates came in higher than market expectations with government bond yields rising as a result. Another month of higher-than-expected inflation has fueled market concerns about forthcoming Fed actions to rein in inflation.
- Consumer sentiment declined further in February to a decade low as inflation concerns have intensified. The University of Michigan's closely tracked sentiment index fell to 61.7 points from 67.2 points in January. Assessment of current economic conditions fell to 68.5 points (lowest since August 2011) while consumer expectations slipped to 57.4 points (lowest since November 2011).
- The U.S. trade deficit widened to a record high 859.1 billion in 2021 (+27 percent YoY). Imported goods hit an all-time high of \$2.9 trillion while exports surged 23 percent and hit \$1.8 trillion.

Fixed Income

The yield on the ten-year U.S. Treasury decreased to 1.92 percent.

Equity Markets

The Dow Jones Industrial Average (DJIA) fell 1 percent and finished the week at 34,738 points. The S&P 500 lost 1.8 percent and finished at 4,419 points, and the NASDAQ fell 2.2 percent and finished at 13,791 points.



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GLOBAL MARKETS

- Arab Light crude rose 0.9 percent and finished the week at \$91.08. Global benchmark Brent crude rose 1.3 percent and finished the week at \$94.44 and West Texas Intermediate (WTI) gained 0.9 percent and closed at \$93.10. Saudi Aramco raised prices for all crude grades last week. March deliveries to Asia were raised by 60 cents while U.S. deliveries were raised by 30 cents. Oil prices have substantially risen since April 2020 and Brent crude spot prices hit \$97 bbl midweek, the highest nominal price since 2014.
- Consumer prices in Germany rose 0.4 percent MoM in January. Annual inflation was 4.9 percent YoY, easing from a 30-year high 5.3 percent YoY in December. It was the first decline in consumer prices in seven months, and the lowest annual inflation rate since last September.
- Producer prices in Japan increased 0.6 percent MoM in January from a flat reading in December. Prices rose 8.6 percent YoY, the 11th straight month of producer price inflation, amid surging global commodity prices.

THE WEEK AHEAD

- Saudi Arabia releases consumer prices for January on February 15
- U.S. releases retail sales for January on February 16
- U.S. Fed releases FOMC minutes on February 16
- Saudi Arabia releases international trade figures for December on February 24