



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

Weekly Market Brief
Week Ending September 16th, 2022

SAUDI ARABIAN MARKET

Saudi Arabia Macroeconomic Developments

- Saudi Arabia's point-of-sale (POS) transactions decreased 21.6 percent to SAR10.6 billion (\$2.8 billion) in the week ending Sept. 10 compared to SAR13.5 billion (\$3.6 billion) from the week ending Sept. 3, according to SAMA.
- Saudi Arabia's annual inflation rate accelerated to a 14-month high of 3 percent in August, up from 2.7 percent in July, according to data released by the General Authority for Statistics. The uptick in the CPI was driven by a rise in food and beverage prices. The annual growth in the price index for food and beverages stood at 4.0 percent in August, while meat prices surged 6.7 percent.
- The value of Saudi Arabia's real estate transactions dropped by 9 percent to SAR14.1 billion (\$3.8 billion) in July-August compared to SAR15.53 billion (\$4.1 billion) YoY, Ministry of Justice data showed. Commercial real estate deals fell 10 percent YoY to SAR4.7 billion (\$1.2 billion). The value of residential deals also decreased by 11 percent YoY to SAR8.1 billion (\$2.2 billion), while agricultural industrial deals were valued at nearly SAR1.35 billion (\$360 million) last month.
- Saudi Arabia's National Debt Management Center has closed the issuance of SAR1.7 billion (\$453 million) SAR-denominated sukuk in September. With a total amount of bids received reaching SAR7.3 billion (\$1.9 billion), the sukuk offering was divided into three tranches. The first tranche has a size of SAR201 million (\$754,000) to mature in 2027, while the second one amounts to SAR700 million (\$187 thousand), maturing in 2032. Lastly, the third is sized at SAR800 million (\$213 million) and will mature in 2037.
- OPEC on Tuesday stuck to its forecasts for robust global oil demand growth in 2022 and 2023 citing signs that major economies were faring better than expected despite headwinds such as surging inflation. Oil demand will increase by 3.1 million barrels per day (bpd) in 2022 and by 2.7 million bpd in 2023, unchanged from last month, OPEC said in a monthly report.

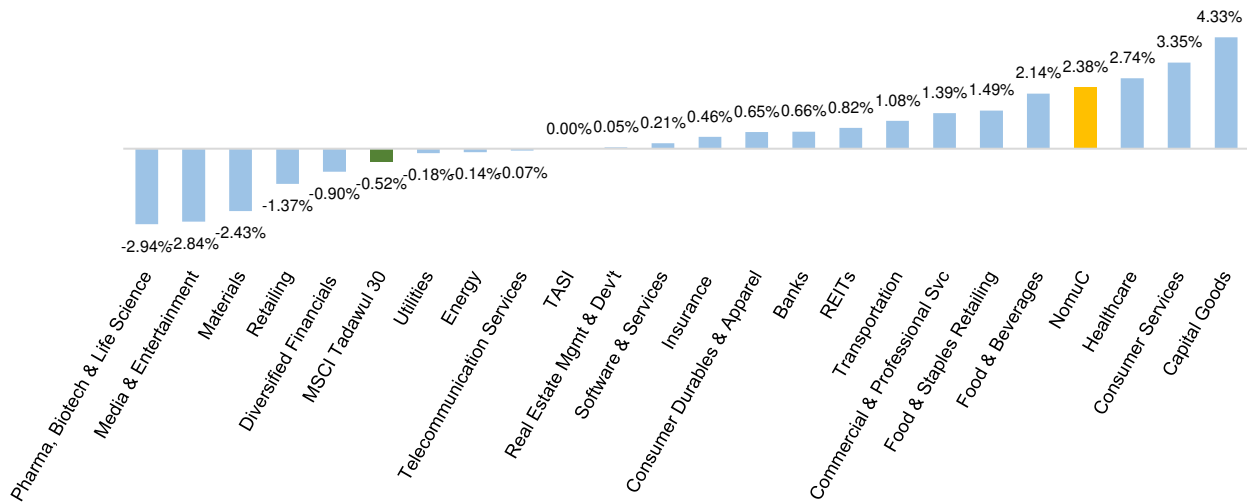


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Tadawul

The TASI remained relatively flat last week and closed at 11,829 points. 14 out of the 21 sectors finished in positive territory with 'Capital Goods' leading the way with a 4.4 percent increase. 'Consumer Services' and 'Healthcare,' also performed strongly with 3.4 percent and 2.7 percent gains, respectively. The NomuC parallel market index increased by 2.4 percent while the MSCI Tadawul 30 fell by 0.5 percent and closed the week at 1,636 points.

Tadawul Weekly Index Performance - September 16, 2022



Source: Tadawul, USSBC



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Business, Trade, & Investment

- Saudi Aramco has launched a new strategic project, 'Aramco Global AI Corridor' aimed at building and commercializing the artificial intelligence ecosystem in the Kingdom. The Corridor is designed to develop and commercialize complex AI solutions, to train Saudi talent, support Saudi start-ups and, together with global partners, build a local AI ecosystem. This will include an AI Delivery Factory, AI Academy, AI Venturing Studio, and unique R&D AI labs.
- The Saudi Company for Artificial Intelligence (SCAI) has announced an investment of SAR2.9 billion (\$776 million) in a joint venture with China's SenseTime to develop the Kingdom's artificial intelligence ecosystem.
- Saudi Arabia's Ministry of Finance has signed a number of financing agreements with several local banks, amounting to SAR25 billion (\$6.6 billion) to execute infrastructure projects by the National Debt Management Center. The infrastructure projects are scheduled to start in 2023 and 2024.
- Saudi Authority for Industrial Cities and Technology Zones (MODON) inked a contract with MASIC Logistics to build 84 ready factories at an investment of SAR85 million (\$22.7 million). Under the contract, MODON will allocate an industrial land plot spanning 80,749 square meters (sqm) in Riyadh Third Industrial City with a ready factory space of 2,700 sqm.
- Saudi Arabia's Ministry of Industry and Mineral Resources has launched a program to automate 4,000 factories and end reliance on low-skilled workers. "The Future Factories Program" aims to build a strong technology ecosystem and transform the manufacturing sector along modern lines.
- Google Cloud has collaborated with the Saudi Data & Artificial Intelligence Authority (SDAIA), Ministry of Environment, Water and Agriculture (MEWA) and Climate Engine to launch the Earth Observation and Science Program. The program will help address environmental, water and agricultural challenges resulting from climate change and paves the way for SDAIA and MEWA to lead climate action using artificial intelligence.
- Saudi Arabia's Crown Prince Mohammed bin Salman bin Abdulaziz Al-Saud unveiled the National Gaming and Esports Strategy. Raising the quality of life by improving players' experience, providing new entertainment opportunities, and achieving an economic impact by contributing to GDP by about SAR50 billion (\$13.3 billion) are the strategy's three main objectives.



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- The Saudi Geological Survey (SGS) announced the discovery of new sites for gold and copper ore deposits in the Madinah region. Copper ore was also discovered at four sites in the Al-Madiq area in the Wadi Al-Faraa region in Madinah, and their exposures represent promising potentials for special copper deposits, from the mineral chalcocite (Cu_2S), which is scattered, as well as some secondary copper carbonate minerals.
- Nala Robotics, a U.S.-based AI robotics company in the culinary industry with its restaurant-as-a-service platform, and the Saudi Excellence Company, a Riyadh-based tech company, announced a strategic agreement to develop, market and deliver autonomous food services to Saudi Arabia.

Banking

Money supply M1 declined by 0.1 percent while M2 and M3 grew by 0.19 percent and 0.21 percent, respectively during the week ending September 8.



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U.S. MARKETS

U.S. Macroeconomic Developments

- The Consumer Price Index increased 0.1 percent in August, but the modest gain for the headline index masked what was a disappointing report. Excluding food and energy prices, core inflation increased 0.6 percent, well above the Bloomberg consensus of 0.3 percent. Core goods inflation remained strong and broad-based despite indications that supply chains are functioning more smoothly and inventory stockpiles are building. Core services inflation also remained hot, increasing 0.6 percent in August.
- Retail sales rose 0.3 percent in August, but July's sales were revised down by 0.4 percent. Excluding autos, the actual level of retail sales is lower in August than it was in June. Auto dealers saw a 2.8 percent jump in sales in August after a 2.0 percent drop in July.
- Industrial production lost momentum in August falling 0.2 percent. While a 2.3 percent drop in utilities and a flat reading for mining was less positive, manufacturing did gain by 0.1 percent, but regional Fed surveys portend trouble on the horizon for the factory sector.

Fixed Income

The yield on the ten-year U.S. Treasury rose to 3.45 percent.

Equity Markets

The Dow Jones Industrial Average (DJIA) declined 4.13 percent and finished the week at 30,822 points. The S&P 500 dropped 4.77 percent and finished at 3,873 points while the NASDAQ dipped 5.48 percent and finished the week at 11,448 points.



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GLOBAL MARKETS

- Arab Light crude increased 2.3 percent and finished the week at \$94.67. Global benchmark Brent crude lost 1.6 percent to reach \$91.35 while West Texas Intermediate (WTI) fell 1.9 percent and closed at \$85.11. Oil prices dipped on fears that hefty interest rate increases will curb global economic growth and demand for fuel.
- Japan's trade deficit surged to JPY2.8 trillion in August 2022 from JPY653 billion YoY. This was the largest trade shortfall on record, marking the 13th straight month of the deficit. This is the longest stretch since 2015 and adds to concerns over the strength of the country's economic recovery. Imports climbed 49.9 percent YoY to a fresh peak of JPY10.1 trillion, while exports grew by 22.1 percent to JPY8.1 trillion.
- China's industrial production increased by 4.2 percent YoY in August 2022, compared with market consensus and July's reading of 3.8 percent. It was the fourth straight month of growth in industrial output and the steepest pace following signs that the recent COVID wave may have peaked, with production accelerating for both manufacturing (+3.1 percent) and utilities (+9.5 percent).

THE WEEK AHEAD

- U.S. releases existing home sales for August on September 21
- U.S. releases the Fed interest rate decision on September 21
- Saudi Arabia releases the balance of trade for July on September 21