



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

Weekly Market Brief
Week Ending November 18th, 2022

SAUDI ARABIAN MARKET

Saudi Arabia Macroeconomic Developments

- Saudi Arabia's inflation rate slightly eased to 3 percent in October 2022 from a 15-month high of 3.1 percent in September. The cost of food and beverages surged by 4.4 percent, driven particularly by meat prices at 6.1 percent. Wholesale inflation slowed for a seventh straight month to 4.6 percent in October 2022, the lowest since June 2020.
- The construction sector was deemed the second biggest non-oil sector in the Kingdom, generating SAR255 billion (\$67.8 billion) annually, according to the Ministry of Municipal and Rural Affairs and Housing. It was also reported that over 175,000 companies work in the contracting sector which employs four million workers.
- Point-of-sale (POS) transactions reached SAR10.6 billion (\$2.8 billion) in the week ended November 12, a 10 percent decline from last week's SAR 11.8 billion (\$3.1 billion), according to the Saudi Central Bank (SAMA). Approximately 154.21 million transactions were processed during the week.
- Venture capital activity in Saudi Arabia rose 93 percent YoY to SAR3.1 billion (\$818 million) in the first nine months of 2022. The number of transactions in this period amounted to 106, as Fintech had the strongest growth with 22 transactions.

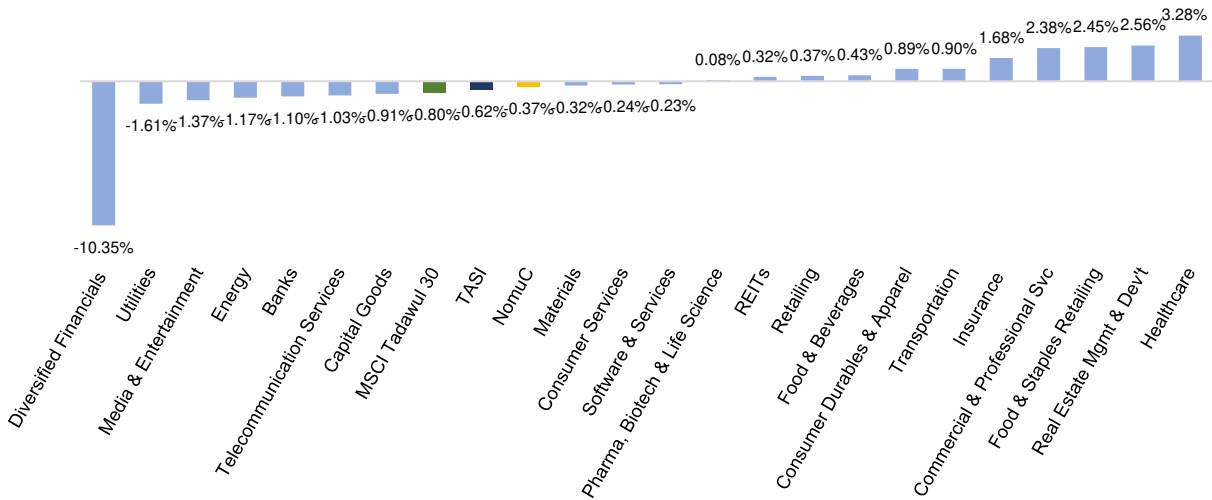
Tadawul

The TASI declined 0.62 percent last week and closed at 11,142 points. Ten of the 21 sectors finished in negative territory. 'Diversified Financials' had the steepest decline at 10.35 percent, followed by 'Utilities' and 'Media & Entertainment,' which fell by 1.61 percent and 1.37 percent, respectively. 'Healthcare' had the biggest increase at 3.28 percent followed by 'Real Estate Management & Development' and 'Food & Staples Retailing,' which increased by 2.56 percent and 2.45 percent, respectively. The NomuC parallel market index fell by 0.37 percent and closed at 18,838 points, while the MSCI Tadawul 30 declined by 0.80 percent and closed the week at 1,543 points.



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Tadawul Weekly Index Performance - November 18, 2022



Source: Tadawul, USSBC

- The Public Investment Fund (PIF) sold a 10 percent stake, or 12 million of its shares in Saudi Tadawul Group through an accelerated bookbuild offering (ABO). The PIF was able to raise SAR2.3 billion (\$612 million), making it one of the biggest ABO transactions to take place in the Saudi market and the GCC region.
- Debt issuances in the Saudi market reached SAR107 billion (\$28.5 billion) in the first half of 2022, a twofold increase YoY, despite higher interest rates, according to the Capital Market Authority (CMA).



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Business, Trade, & Investment

- Saudi Aramco awarded a contract for a key desulphurization project to Engineering for the Petroleum & Process Industries (Enppi), an Egypt-based company. The project will take place at Saudi Aramco's Ras Tanura refinery, and the contract is estimated to be valued between SAR1.1 billion (\$300 million) and SAR1.5 billion (\$400 million).
- Saudi-based Dor Real Estate Company has signed a memorandum of understanding to establish a real estate investment fund of SAR1 billion (\$266.3 million) with Arbah Capital, a Shariah compliant investment firm. The fund aims to develop infrastructure and construct residential units in the Kingdom.
- The PIF reduced its holding of U.S. equities from SAR163.9 billion (\$43.6 billion) in Q2 2022 to SAR138.3 billion (\$36.8 billion) in Q3 2022, according to a Securities and Exchange Commission filing. The fund invested in a new company, Linde plc, during the third quarter, and exited from Hyzon Motors. The PIF raised its equity in Meta Platforms and Alphabet during the three-month period.
- Occupancy levels for prime office space in Riyadh have risen by 4 percent to 98 percent. Average lease rates for prime office space have increased by 18 percent YoY to SAR1,775 (\$473) a square foot, according to Knight Frank. The rise in office space demand is in part due to a 700 percent increase YoY in the number of foreign investment licenses.
- The PIF signed a memorandum of understanding (MoU) with BlackRock, the global investment company, to jointly explore infrastructure projects in the Kingdom, as well as the Middle East, and invest in a number of sectors, including energy, utilities, water, and environment.

Banking

Money supply M1 decreased by 0.24 percent, while M2 and M3 increased by 1.03 percent and 0.95 percent, respectively, during the week ending November 11th.



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U.S. MARKETS

U.S. Macroeconomic Developments

- Consumer Inflation expectations in October have increased in the short, medium, and long term, according to the Federal Reserve Bank. Respondents' expectation for inflation a year from now is at 5.9 percent, up by 9.3 percent MoM. In three years, expectations are at 3.1 percent, up by 6.8 percent MoM, while in five years expectation is at 2.4 percent, up by 9.1 percent MoM.
- Industrial production in the U.S. decreased by 0.1 percent MoM in October of 2022, after a 0.1 percent increase in September, and missing market expectations of a 0.2 percent gain as higher interest rates and prices weighed on demand. Manufacturing output went up 0.1 percent, below expectations for a 0.2 percent increase, mostly supported by durable goods at 0.5 percent.
- Retail sales in the U.S. surged 1.3 percent MoM in October 2022, the largest increase in eight months, after a flat reading in September and beating market forecasts of a 1 percent gain. Sales at motor vehicle dealers were up 1.3 percent as supply chain constraints began easing, while rising gasoline costs pushed sales at gasoline stations 4.1 percent higher.
- The Producer Price Index for final demand increased 0.2 percent in October. Prices for final demand goods advanced 0.6 percent, and the index for final demand services decreased 0.1 percent. The index for final demand rose 8 percent YoY in October.
- Existing home sales dropped 5.9 percent during October, the ninth consecutive monthly decline. The pace of resales averaged 4.43 million units during the month, down 28.4 percent over the year. The reason behind the ongoing slump in resales continues to be higher mortgage rates.

Fixed Income

The yield on the ten-year U.S. Treasury remained at 3.82 percent.

Equity Markets

The Dow Jones Industrial Average (DJIA) slightly decreased 0.01 percent and finished the week at 33,745 points. The S&P 500 declined 0.69 percent and finished at 3,965 points, while the NASDAQ fell by 1.57 percent and ended the week at 11,146 points.



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GLOBAL MARKETS

- Arab light crude declined 5.58 percent and finished the week at \$89.09. Global benchmark Brent crude fell by 8.72 percent to \$87.62 a barrel, while U.S. West Texas Intermediate (WTI) crude declined by 9.98 percent and closed at \$80.08. Oil prices experienced record shortfalls throughout the week, amid weakening demand and concerns that aggressive monetary tightening by major central banks could tip the global economy into a recession.
- China's industrial production expanded 5 percent YoY in October 2022, less than market estimates of a 5.2 percent increase and after a 6.3 percent growth in the prior month, which was the fastest pace in seven months. The slowdown highlighted that a recovery in the Chinese economy is losing momentum amid rising COVID cases and strict curbs as well as a downturn in the property sector.
- The Japanese economy shrank 0.3 percent in Q3 2022, missing market consensus of a 0.3 percent growth and following an upwardly revised 1.1 percent growth in the previous period. This was the first GDP contraction since Q3 2021, amid global inflation pressures and a slump in the yen.

THE WEEK AHEAD

- U.S. releases New Home Sales for October on November 23
- Saudi Arabia releases Balance of Trade for September on November 24
- Saudi Arabia releases Merchandise Trade on November 24