



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

Weekly Market Brief
Week Ending December 16th, 2022

SAUDI ARABIAN MARKET

Saudi Arabia Macroeconomic Developments

- Saudi Arabia's annual inflation rate rose 2.9 percent YoY in November, driven by a rise in housing, water, and food prices, according to the General Authority for Statistics (GASTAT). November's inflation rate, however, has steadily declined from 3 percent in October and 3.1 percent in September.
- Spending by international tourists in Saudi Arabia jumped to SAR27 billion (\$7.2 billion) in the first half of 2022, as the number of visitors surged to 46 million, according to the Ministry of Investment. Inbound tourist spending jumped 570 percent in Q2 2022 to SAR15.7 billion (\$4.2 billion), while domestic tourist spending rose 31.5 percent to SAR22.7 billion (\$6 billion).
- Saudi Arabia's point-of-sale (POS) transactions fell to SAR11.1 billion (\$2.9 billion) in the week ending December 10, compared to SAR13.7 billion (\$3.6 billion) the week before, according to the Saudi Central Bank (SAMA).
- SAMA raised the rates of both the Repo and Reverse Repo by 50 basis points to 5 percent and 4.50 percent, respectively. The decision was made by SAMA following the U.S. Federal Reserve's decision to hike its benchmark level by 50 basis points.

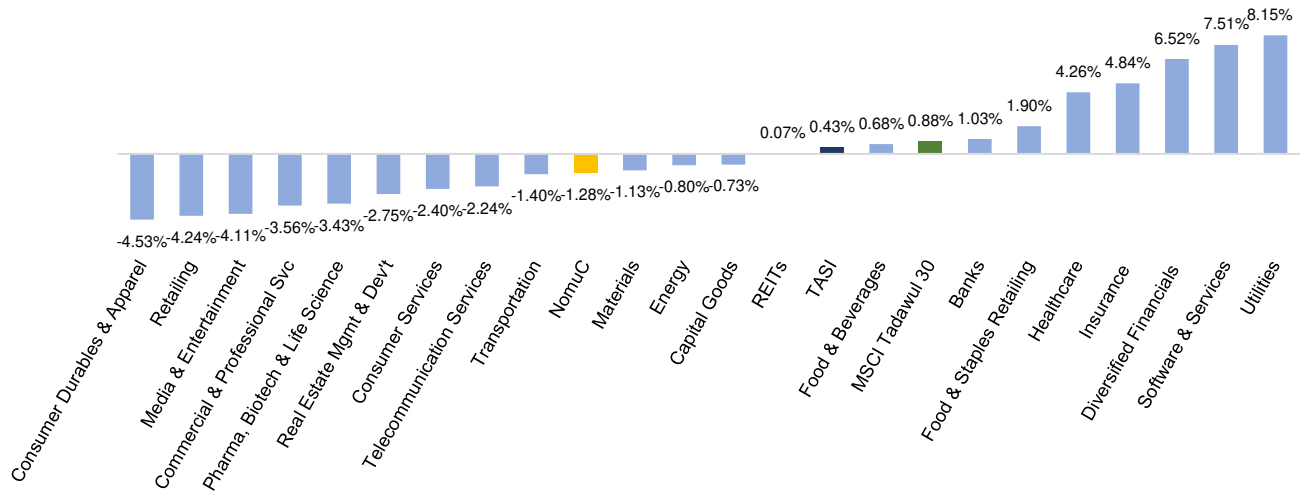


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Tadawul

The TASI rose 0.43 percent last week and closed at 10,290 points. Just over half of the sectors finished the week in negative territory with 'Consumer Durables & Apparel' experiencing the greatest decline at 4.53 percent, followed by 'Retailing' and 'Media & Entertainment,' which fell 4.24 percent and 4.11 percent, respectively. 'Utilities' had the greatest increase at 8.15 percent, followed by 'Software & Services' and 'Diversified Financials,' which rose 7.51 percent and 6.52 percent, respectively. The NomuC parallel market index fell 1.28 percent and closed at 18,526 points, while the MSCI Tadawul 30 rose 0.88 percent and closed the week at 1,428 points.

Tadawul Weekly Index Performance - December 16, 2022



Source: Tadawul, USSBC



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Business, Trade, & Investment

- The Public Investment Fund (PIF) has acquired a 9.5 percent stake in the German renewables firm Skyborn. Skyborn is one of the leading developers of offshore wind power in the European and Asia Pacific region.
- The Saudi investment firm, KBW Ventures, announced that it would be one of the investors backing San Francisco-based foodtech startup, Black Sheep Foods, in its Series A round of fundraising SAR46.2 million (\$12.3 million).
- Enovate Motors, a Chinese electric-vehicle startup, signed an agreement with Saudi real estate company, Sumou, to establish a SAR1.9 billion (\$500 million) production plant in Saudi Arabia. The deal will make Enovate the first Chinese brand to produce electric vehicles in the Kingdom. The joint venture, which will operate its own R&D facility, will have annual production capacity of 100,000 EVs.
- Saudi Aramco has partnered with French oil giant, Total Energies, to build a petrochemical facility in Saudi Arabia valued at SAR41.4 billion (\$11 billion). The petrochemical facility named 'Amiral' will be integrated with Saudi Aramco's existing Total Refining and Petrochemical refinery in Jubail. The construction of the petrochemical facility is expected to begin in Q1 2023, and commercial operations to begin in 2027. The facility and its projects are expected to create 7,000 jobs.

Banking

Money supply M1 and M3 increased 0.33 percent and 0.53 percent, respectively, while M2 fell 0.15 percent during the week ending December 9th.



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U.S. MARKETS

U.S. Macroeconomic Developments

- The Federal Reserve raised interest rates by 50bps in the range of 4.25 percent and 4.5 percent, pushing rates to the highest level since 2007. This is the seventh consecutive rate hike. Ongoing hikes are expected to transform monetary policy to be restrictive enough to return inflation to 2 percent. The Fed now expects interest rates to reach 5.1 percent next year, 4.1 percent in 2024, and 3.1 percent in 2025, higher than previously indicated.
- Retail sales in the U.S. declined 0.6 percent MoM in November 2022, lower than market forecasts of a 0.1 percent decline. This is the biggest drop in 2022, with sales of furniture, building materials and motor vehicles falling the most. However, there were increases in sales of food and drink services and health and personal care stores.
- U.S. industrial production declined 0.22 percent in December, which is the largest drop in four months. Utilities increased 3.6 percent, while mining output fell 0.7 percent for the second consecutive month, and manufacturing, which comprises 75 percent of industrial production, declined 0.6 percent.
- Consumer prices rose 0.1 percent in November. Excluding food and energy prices, core CPI increased 0.2 percent. A change in energy prices for consumers was a major source of deflationary pressure. Gasoline prices declined 2 percent over the month, while energy services prices fell 1.1 percent. The annual inflation rate slowed for a fifth consecutive month to 7.1 percent in November of 2022, the lowest since December 2021.

Fixed Income

The yield on the ten-year U.S. Treasury declined to 3.48 percent.

Equity Markets

The Dow Jones Industrial Average (DJIA) declined 1.66 percent and finished the week at 32,920 points. The S&P 500 fell 2.08 percent and finished at 3,852 points, and the NASDAQ decreased 2.72 percent and ended the week at 10,705 points.



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GLOBAL MARKETS

- Arab light crude jumped 5.79 percent and finished the week at \$79.78. Global benchmark Brent crude increased 3.86 percent to \$79.04 a barrel, while U.S. West Texas Intermediate (WTI) crude rose 4.13 percent and closed at \$74.45. Global oil prices are trending higher as positive market outlooks outweigh concerns over potential new interest rate peaks and a possible global recession.
- The Bank of England raised interest rates by 50 basis points to 3.5 percent, pushing rates to the highest level since 2008. The labor market remained tight, while inflation and wage growth remained high.
- China's industrial production advanced 2.2 percent YoY in November 2022, less than market estimates of a 3.6 percent increase and easing from a 5 percent gain in the previous month. This was the weakest growth in industrial production since May, amid rising COVID infections and strict curbs. Among sectors, manufacturing output growth decreased, while mining activity accelerated.
- Japan's trade deficit surged to JPY 2,027.4 billion (\$14.8 billion) in November 2022 from a deficit of JPY973.6 billion (\$7.12 billion) in November 2021. This was the 16th consecutive month of a deficit, which is the longest stretch since 2015. Imports climbed 30.3 percent YoY to JPY10,865 billion (\$79.5 billion), while exports grew at a softer 20 percent to JPY8,838 billion (\$64.7 billion).

THE WEEK AHEAD

- U.S. releases Current Account for Q3 on December 21
- Saudi Arabia releases Balance of Trade for October on December 22
- U.S releases Personal Income and Personal Spending on December 23