



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

Weekly Market Brief
Week Ending October 15, 2021

SAUDI ARABIAN MARKET

Saudi Arabia Macroeconomic Developments

- Annual inflation in Saudi Arabia rose 0.6 percent in September amid higher food prices (+2.6 percent). On a monthly basis, consumer prices rose 0.2 percent while producer prices rose 0.5 percent. Wholesalers reported rising costs on material inputs and capital goods as supply chain complications are increasing prices across most sectors of the economy. The impact of rising energy prices on consumers was mitigated by a gas cap subsidy reintroduced by the government in July.
- The International Monetary Fund (IMF) raised Saudi Arabia's 2021 growth forecast to 2.8 percent, up from 2.4 percent in its latest World Economic Outlook report. IMF maintained its forecast of 4.8 percent growth forecast for Saudi Arabia in 2022. The IMF slightly lowered global growth projections by 0.1 percent to an expected 5.9 percent expansion in the global economy.
- Credit facilities extended by the banking sector and finance firms in Saudi Arabia to micro, small and medium-sized enterprises (MSMEs) amounted to SAR198.2 billion (\$53 billion) by the end of Q2 2021, an increase of 25 percent YoY from SAR158.03 billion (\$42 billion).
- Foreign investment in Saudi Arabia grew 16 percent YoY in Q2, reaching SAR2.256 trillion (\$602 billion). Foreign investments were up 6 percent compared to Q1. Foreign direct investments (FDI) accounted for 43 percent of the total while foreign portfolio investments (FPI) accounted for 34 percent. Investment fund shares, debt securities, loans, currency, and other investments accounted for the remainder.
- The value of awarded construction contracts in Saudi Arabia during Q2 rose 134 percent YoY to reach SAR25.8 billion (\$6.9 billion) as construction activity rebounds from the impact of the pandemic. The majority of the value was in the power (29 percent), petrochemicals (18 percent), and water (13 percent) sectors. Read more in USSBC's [Q2 2021 Contract Awards Index Report](#).

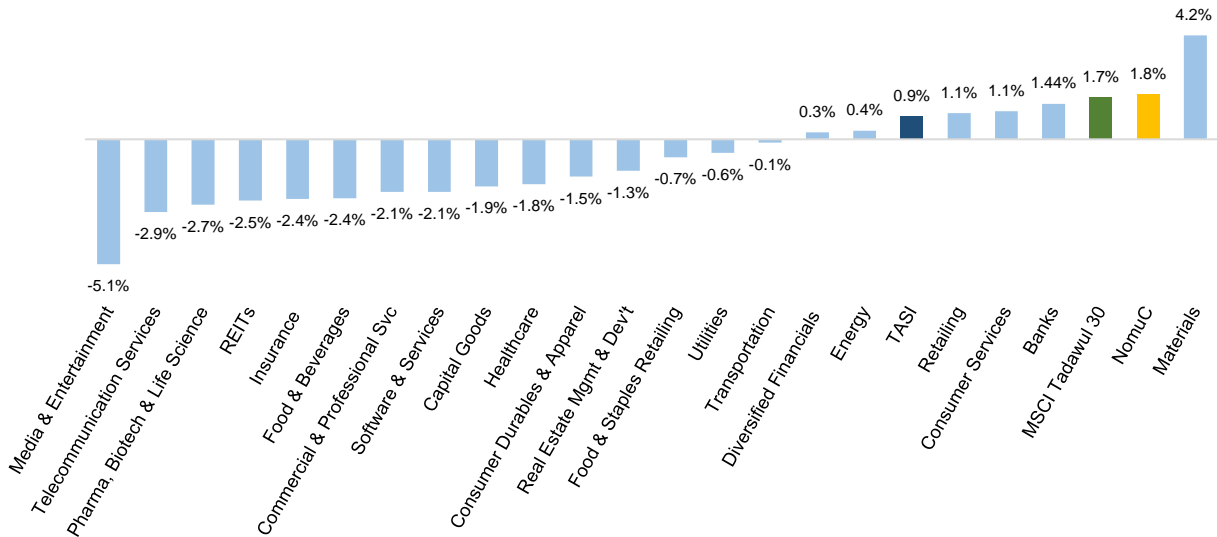


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Tadawul

The TASI rose 0.9 percent last week and closed at 11,699 points. ‘Materials’ led other sectors with a 4.2 percent gain, followed by ‘Banks’ and ‘Consumer Services,’ which rose 1.4 percent and 1.1 percent, respectively. ‘Media & Entertainment’ posted the biggest loss, dropping 5.1 percent. The NomuC parallel market index rose 1.8 percent while the MSCI Tadawul 30 index gained 1.7 percent to close the week at 1,619 points.

Tadawul Weekly Index Performance - October 15, 2021



Source: Tadawul, USSBC

- Alamar Foods announced plans to pursue an initial public offering (IPO) and hired HSBC to arrange the share sale. U.S. private equity firm The Carlyle Group acquired a 42 percent stake in Alamar Foods in 2011. Alamar Foods is also the regional franchise operator for U.S. pizza chain Domino’s Pizza
- Nayifat Finance Company will proceed with an IPO on the Tadawul, offering a free float of 35 percent of the company’s share capital. The Capital Market Authority (CMA) approved Nayifat’s application for IPO on September 29.
- IHS Markit added the Saudi government sukuk market to its watchlist before inclusion into the iBoxx global index by Q4 2021.



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Business, Trade, & Investment

- Saudi Arabia announced a new SAR4 trillion (\$1.1 trillion) National Investment Strategy (NIS) to serve as a catalyst for Vision 2030 initiatives. The NIS program is specifically aimed at enabling the international competitiveness of the private sector and raising foreign direct investment (FDI) to support Saudi Arabia's economic diversification agenda. An expected SAR12 trillion (\$3.2 trillion) in Vision 2030 investments are expected to be made by 2030, with the Shareek program contributing SAR5 trillion (\$1.3 trillion), the Public Investment Fund (PIF) contributing SAR3 trillion (\$800 billion), and NIS contributing the remaining SAR4 trillion (\$1.1 trillion).
- Australian firm EV Metals Group announced a SAR11.3 billion (\$3 billion) investment plan to develop a battery chemicals complex in Yanbu Industrial City and build mineral processing plants for lithium and nickel in the Kingdom. The deal is one of the first major agreements since Saudi Arabia passed a mining investment law in January that opened the sector to foreign investments.
- The Saudi Industrial Development Fund (SIDF) announced the launch of multiple initiatives to empower the private sector including a land-logistics loan, a supply chain financing product, and an industrial business incubator program. The Ministry of Industry stated over 60 logistic zones would be developed by 2030 to support exports, e-commerce, and re-export operations in Saudi Arabia.
- PIF announced a new tourism project, The Rig, inspired by Saudi Arabia's offshore oil platforms that will feature hotels, racing and water sports, restaurants, and other amenities.
- PIF joined Japan's SoftBank and Abu Dhabi's Mubadala Investment Co. in backing Berlin-based online retailer Signa Sports United. The total investment by the group is valued around SAR1.4 billion (\$370 million), according to Bloomberg.
- NEOM's green hydrogen JV plans to secure financing in Q1 2022, according to ACWA Power's CEO. Approximately 20 percent of the SAR24 billion (\$6.5 billion) project will be funded with equity and the rest will be limited-recourse project finance. The aim is to produce green hydrogen for export, with the first shipment expected from NEOM's port in Q1 2026.
- Saudi Arabia will ease COVID-19 restrictions from October 17. Masks will no longer be required at public places, social distancing measures are to be lifted, and full-capacity attendance will be allowed at religious and sporting events for fully vaccinated persons.



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- Saudi Arabia will require foreign firms in the oil and gas sector to raise local content to at least 70 percent from 30-35 percent currently to secure government contracts, according to Reuters. Further details of the plan are expected from the Ministry of Energy at a later stage.

Banking

Weekly money supply M1, M2, and M3 rose 0.3 percent, 0.6 percent, and 0.5 percent respectively during the week ending October 7.

On a year-to-date basis, M1, M2, and M3 have risen 2.9 percent, 2.4 percent, and 5.5 percent, respectively.

U.S. MARKETS

U.S. Macroeconomic Developments

- Consumer prices rose 0.4 percent in September, bringing the YoY inflation rate to 5.4 percent. Annual inflation was the highest in 13 years. Food prices saw the largest increase (+0.9 percent MoM) since April 2020 while housing, energy, and durable goods prices all picked up.
- Retail sales rose 0.7 percent in September with most store types seeing better-than-expected sales. Auto dealerships partially rebounded while sales at service stations, clothing stores, and e-commerce stores rose strongly.
- Consumer sentiment slipped to 71.4 in October, the second lowest reading since 2011. Reduced labor participation rates and supply chain shortages have weighed on consumer spending. Survey respondents also reported a decline in confidence towards government economic policymaking in recent months.

Fixed Income

The yield on the ten-year U.S. Treasury decreased to 1.59 percent.



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Equity Markets

The Dow Jones Industrial Average (DJIA) rose 1.6 percent and finished the week at 35,295 points. The S&P 500 gained 1.8 percent and finished at 4,471 points and the NASDAQ rose 2.2 percent and closed at 14,897 points.

GLOBAL MARKETS

- Arab Light crude rose 2.7 percent and finished the week at \$83.44. Global benchmark Brent crude rose 3 percent and finished the week at \$84.86, while West Texas Intermediate (WTI) gained 3.7 percent and closed at \$82.28. Demand continues to pick up amid ongoing recovery from the COVID-19 pandemic. The U.S. reported a sharp drop in oil stockpiles and added ten new operating oil and gas rigs. Despite rising energy prices, OPEC+ has signaled it will adhere to a planned 400,000 bpd increase in output each month until April 2022.
- China's economy grew 4.9 percent in Q3, missing market expectations as industrial production underperformed. Supply chain disruptions, power shortages, and economic risks posed by a debt-fueled real estate expansion have led banks to trim China's 2021 growth forecast to a median 8.2 percent estimate. However, retail sales in China were stronger than expected (+4.4 percent YoY) in Q3 and exports picked up again at the end of the quarter.
- Industrial production in the Eurozone declined 1.6 percent MoM in August as supply constraints lowered production. Capital and consumer goods production dropped 3.9 percent and 3.4 percent, respectively. Germany posted the steepest decline among Eurozone nations while industrial output edged up in France and Spain.

THE WEEK AHEAD

- U.S releases housing starts for September on October 19
- Saudi Arabia releases real estate prices for Q3 on October 20
- Saudi Arabia releases international trade figures for August on October 25