



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

Weekly Market Brief
Week Ending December 10, 2021

SAUDI ARABIAN MARKET

Saudi Arabia Macroeconomic Developments

- Saudi Arabia aims to post its first budget surplus in nearly a decade next year, according to the Ministry of Finance's official 2022 budget statement. The 2021 budget deficit is expected to reach SAR85 billion (\$22.7 billion), representing 2.7 percent of GDP, compared to a budgeted SAR141 billion (\$37.6 billion) as oil prices recovered faster than analysts predicted. In 2022, the Kingdom expects to post a budget surplus of SAR90 billion (\$24 billion) due to lower spending and higher revenues.
- Saudi Arabia government revenues are expected to rise 12.4 percent to reach SAR1.1 trillion (\$279 billion) in 2022. Government spending meanwhile is set to decline 5.9 percent from current levels to reach SAR955 billion (\$255 billion) amid reductions in both operational and capital expenditures. The Kingdom's national debt is expected to remain unchanged at SAR938 billion (\$250 billion).
- Saudi retail mortgage loans fell 3 percent to SAR11.8 billion (\$3.1 billion) in October. The average mortgage size was SAR493k (\$132k) while the number of mortgage contracts totaled 23,900 during the same period. Housing demand has remained strong in 2021 with year-to-date mortgage credit outpacing last year's level by roughly 6 percent.

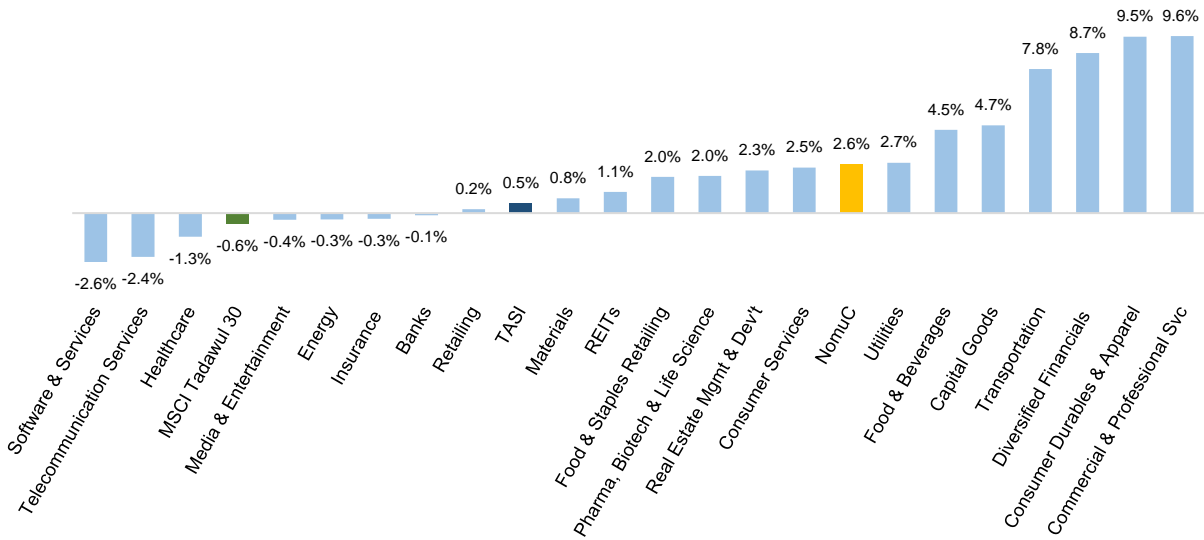


U.S.-Saudi Business Council
 مجلس الأعمال السعودي الأمريكي

Tadawul

The TASI rose 0.5 percent last week and closed at 10,939 points. ‘Commercial & Professional Services’ rose 9.6 percent followed by ‘Consumer Durables & Apparel’ and ‘Diversified Financials,’ which rose 9.5 percent and 8.7 percent, respectively. ‘Software & Services’ led the losses last week, declining 2.6 percent. The NomuC parallel market index rose 2.6 percent while the MSCI Tadawul 30 index fell 0.6 percent to close at 1,497 points.

Tadawul Weekly Index Performance - December 10, 2021



Source: Tadawul, USSBC

- Tadawul disclosed it has received more than 50 applications for initial public offerings (IPOs) next year following a breakout year for the Saudi exchange. The firm is also considering whether special purpose acquisition vehicles (SPACs) will be permitted to list on the exchange.



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

Business, Trade, & Investment

- Saudi Arabia signed a SAR58.1 billion (\$15.5 billion) lease and leaseback deal with a consortium led by BlackRock Real Assets and Hassana Investment Company to sell a 49 percent stake in its gas pipeline network in one of the world's largest energy infrastructure deals. A newly formed subsidiary, Aramco Gas Pipelines Company, will lease usage rights back to Aramco for a 20-year period and receive tariff payments on the flow of gas products.
- Saudi Aramco announced three new EPC contracts awarded to U.S. firm McDermott for four drilling jackets and seven oil production deck modules in the Kingdom's Zuluf, Ribyan, Abu Sa'fah, and Safaniya offshore fields. Fabrication is expected to begin Q1 2022 and offshore installation will commence Q4 2022.
- U.S. firm Newpark Resources announced its Fluids Systems unit will enter a non-binding preliminary agreement to establish a joint venture with Saudi firm TAQA for the provision of oilfield chemicals, drilling fluids, and related services in the Kingdom.
- Saudi solar panel manufacturer Desert Technologies signed a trade agreement with U.S. firm Essentra for the export of Saudi-made solar panels to related projects in the U.S. The agreement was signed at the joint USSBC-SEDA Export Development Mission in New York City last week.
- Saudi Aramco signed an agreement with France's Gaussin to study the feasibility of a hydrogen vehicle manufacturing facility and a hydrogen distribution business serving the Middle East region. Gaussin's first-of-its-kind hydrogen-fueled racing truck will compete at the 2022 Dakar Rally in Saudi Arabia.
- Saudi Arabian Military Industries (SAMI) signed an agreement with Airbus to form a joint venture specializing in military aviation services and MRO capabilities. The project will use a variety of Airbus fixed-wing planes, including the A330 MRTT and C-295 platforms. SAMI also signed an agreement with France's Figeac Aero and local firm Dussur to develop a high-precision manufacturing facility in the Kingdom to produce aerospace components.
- AJA Pharma, a subsidiary of Saudi Chemical Holding Company, signed an initial agreement with Sanofi to explore the local manufacture of clexane, a therapeutic treatment for thrombosis.
- Saudi Arabian Airlines (Saudia) signed a SAR32 billion (\$8.5 billion) agreement with CFM International, a joint venture of General Electric and France's Safran Aircraft Engines, to



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

purchase LEAP-A1 engines to power Saudia's new Airbus fleet. The order includes MRO and long-term service provisions as well as terms to lease at least twenty A320neo aircraft.

- Saudi Aramco signed an agreement with India's Larsen & Toubro to establish the region's first heavy wall pressure vessels facility at Jubail Industrial City.
- The Public Investment Fund (PIF) raised SAR12 billion (\$3.2 billion) through the sale of a 6 percent stake in Saudi Telecom Company (stc).

Banking

Weekly money supply M1, M2, and M3 rose 0.5 percent, 0.7 percent, and 0.9 percent, respectively, during the week ending December 2.

On a year-to-date basis, M1, M2, and M3 have risen 3.6 percent, 3.3 percent, and 5.9 percent, respectively.

U.S. MARKETS

U.S. Macroeconomic Developments

- U.S. inflation rose to a 39-year high of 6.8 percent YoY (+0.8 percent MoM) in November. The energy index rose 3.5 percent MoM (down from October's 4.8 percent MoM), while the gasoline index jumped 6.1 percent MoM. Core inflation, which excludes food and energy, rose to 4.9 percent YoY (+0.5 percent MoM).
- The U.S. trade balance narrowed by \$14.3 billion in October, driven by the largest gain in exports since the initial post-lockdown rebound in mid-2020. Imports have largely outpaced exports over the past year and a half. Exports of industrial supplies, capital goods, and consumer goods all rose to a seven month high.

Fixed Income

The yield on the ten-year U.S. Treasury increased to 1.48 percent.



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

Equity Markets

The Dow Jones Industrial Average (DJIA) rose 4 percent and finished the week at 35,971 points. The S&P 500 gained 3.8 percent and finished at 4,712 points while the NASDAQ rose 3.6 percent to reach 15,631 points.

GLOBAL MARKETS

- Arab Light crude rose 5 percent and finished the week at \$75.20. Global benchmark Brent crude rose 7.5 percent and finished the week at \$75.15 and West Texas Intermediate (WTI) gained 8.2 percent and closed at \$71.67. Oil prices posted their biggest weekly gains since August as Omicron fears eased. In its monthly report, OPEC shifted some expected demand from Q4 to early 2022 but left its outlook for oil demand growth for 2021 and 2022 unchanged.
- Bahrain approved a decision to raise its value-added tax (VAT) to 10 percent starting January 2022. The move is expected to support a balanced budget by 2024 and increase social welfare allowances. GCC states adopted a collective VAT framework agreement in January 2018 and Bahrain implemented its VAT at a 5 percent level in January 2019.
- China's consumer price inflation accelerated to 2.3 percent YoY from 1.5 percent YoY a month earlier. Producer price inflation meanwhile rose 12.9 percent YoY. Rising food costs pushed up consumer prices, but data shows price pressures "generally easing" outside volatile food and energy categories.

THE WEEK AHEAD

- Saudi Arabia releases Q3 GDP report on December 14
- U.S. Fed announces interest rate decision on December 15
- Saudi Arabia releases consumer and producer prices for November on December 15