



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

Weekly Market Brief
Week Ending December 3, 2021

SAUDI ARABIAN MARKET

Saudi Arabia Macroeconomic Developments

- Saudi Arabia's non-oil economy maintained strong growth in November, according to IHS Markit's PMI survey. The headline reading of 56.9 points was supported by strong new business growth and the fastest rise in export sales since May. Price pressures were moderate compared to global inflation, but job growth remained relatively mild.
- The value of point-of-sale (POS) transactions in Saudi Arabia rose 1.2 percent MoM in October, reaching SAR40.5 billion (\$10.8 billion). Sectors that drove the increase included restaurants & cafes, hotels, and clothing. The number of POS transactions rose markedly from 469 million transactions in September to 495 million transactions in October.
- Foreign direct investment (FDI) into Saudi Arabia totaled SAR51.8 billion (\$13.8 billion) in Q2 2021, with the Aramco Oil Pipelines deal accounting for SAR46.5 billion (\$12.4 billion). Excluding the Aramco privatization deal, FDI still rose 56 percent YoY to hit SAR1.4 billion (\$373 million).
- Credit provided to small and medium enterprises (SMEs) by commercial banks rose 13 percent YoY to reach SAR186 billion (\$49.6 billion) in Q3. SME lending by finance companies was also up 32 percent YoY, totaling SAR14.2 billion (\$3.8 billion).

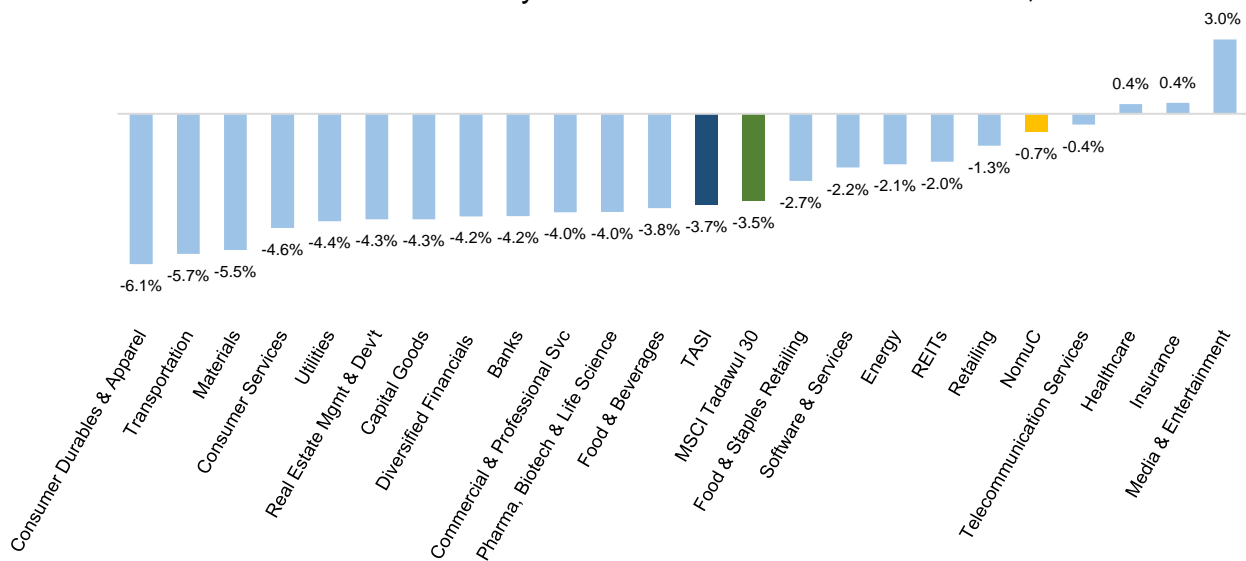


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Tadawul

The TASI fell 3.7 percent last week and closed at 10,883 points, posting another steep loss amid Omicron fears. 'Media & Entertainment' rose 3 percent followed by 'Insurance' and 'Healthcare,' which each rose 0.4 percent. All other sectors ended the week in negative territory, and were led for the third straight week by 'Consumer Durables & Apparel,' which fell 6.1 percent. The NomuC parallel market index declined 0.7 percent while the MSCI Tadawul 30 index fell 3.5 percent to close the week at 1,506 points.

Tadawul Weekly Index Performance - December 3, 2021



Source: Tadawul, USSBC



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Business, Trade, & Investment

- Saudi Aramco awarded engineering, procurement, and construction (EPC) contracts worth an estimated SAR38 billion (\$10 billion) for the development of the Jafurah unconventional gas field. The Jafurah basin hosts the largest shale gas reserves in the Middle East. Contracts were awarded to local and international contractors, according to Aramco.
- Google announced plans to open both its first Saudi cloud region in Dammam in partnership with Saudi Aramco and an office in Riyadh to support cloud operations.
- Popeyes Restaurant signed an agreement with Gulf Brand Fast Food Company, a subsidiary of Tanmiah Food Company, to expand its business presence in Saudi Arabia with new restaurants set to open in the coming years.
- Red Sea International Co. signed a seven-year SAR246 million (\$67 million) contract with Baker Hughes to design, manufacture, supply, and manage remote mobile modular buildings to support its oil drilling operations in the Eastern Province.
- Saudi Arabia and Taiwan's Foxconn Technology Group are reportedly exploring an electric vehicle joint venture, according to Bloomberg. The majority stakeholder would be a newly formed Public Investment Fund (PIF) subsidiary named Velocity.
- Saudi Aramco awarded local firm Arabian Pipes Company a SAR305 million (\$81 million) 12-month contract for the manufacture and supply of steel pipes from its facility at Jubail Industrial City.
- Saudi Arabia hosted the inaugural Saudi Arabian Grand Prix in Jeddah this weekend on December 5.

Banking

Weekly money supply M1, M2, and M3 rose 0.2 percent, 0.2 percent, and 0.7 percent, respectively, during the week ending November 25.

On a year-to-date basis, M1, M2, and M3 have risen 3.1 percent, 2.6 percent, and 5 percent, respectively.



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U.S. MARKETS

U.S. Macroeconomic Developments

- The U.S. economy netted 210k jobs in November and the unemployment rate fell to 4.2 percent. Labor force participation was the highest since March 2020. However, job gains were the softest all year and were less than half of market expectations. Notable job gains occurred in professional and business services (+90k), transportation and warehousing (+50k), and construction (+31k).
- Fed chair Jerome Powell signaled support for a quicker drawdown of the Federal Reserve's asset purchases and also indicated that "transitory" is no longer an appropriate characterization of current inflationary pressures in the economy. Earlier in November, the Fed stated it would begin reducing the monthly pace of its net asset purchases by \$10 billion for Treasury securities and \$5 billion for agency mortgage-backed securities, completing the process in mid-2022.
- Construction spending rose 0.2 percent during October. Total construction outlays are up 8.6 percent over the past year. In contrast to early 2021, residential construction has moderated recently while non-residential continues to pick up. Non-residential sectors such as new offices, hotels, education, and healthcare, which struggled post-pandemic are benefiting from greater demand for retail space.

Fixed Income

The yield on the ten-year U.S. Treasury declined to 1.35 percent.

Equity Markets

The Dow Jones Industrial Average (DJIA) fell 0.9 percent and finished the week at 34,580 points. The S&P 500 lost 1.2 percent and finished at 4,538 points while the NASDAQ fell 2.6 percent to reach 15,086 points. Markets traded lower on Omicron virus fears as technology stocks sold off to close the week. During November, DJIA fell 3.7 percent and the S&P lost 0.8 percent while the NASDAQ gained 0.3 percent.



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GLOBAL MARKETS

- Arab Light crude fell 10.9 percent and finished the week at \$71.59, the steepest weekly decline all year. Global benchmark Brent crude dropped 3.9 percent and finished the week at \$69.88 and West Texas Intermediate (WTI) lost 2.8 percent and closed at \$66.26. OPEC+ agreed to adhere to a 400k increase in oil output despite declines in oil prices that followed the U.S.-led decision to tap strategic petroleum reserves. The oil alliance made clear it may revisit its planned 400k increase in January if demand suffers in coming weeks. During the month of November, Brent crude fell 15 percent, WTI lost 20 percent, and Arab Light fell 12 percent.
- China's official manufacturing PMI rose to 50.1 points in November, up from 49.2 last month, as power shortages eased and some raw materials prices moderated. This marked the first pickup in factory growth since August. Conversely, the closely watched non-government Caixin manufacturing PMI slipped below the 50-point mark to 49.9 points in November
- Eurozone inflation hit 4.9 percent in November, the highest since current recordkeeping began in 1997. The figure was up from last month's 4.1 percent inflation reading. The 19-nation bloc saw core inflation rise 2.6 percent, touching the highest rate since early 2002.

THE WEEK AHEAD

- Saudi Arabia releases industrial production index on December 9
- U.S. release November inflation figures on December 10
- Saudi Arabia releases ICT household survey figures on December 12