



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

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Weekly Market Brief  
*Week Ending January 14, 2021*

SAUDI ARABIAN MARKET

Saudi Arabia Macroeconomic Developments

- Consumer prices in Saudi Arabia rose 1.2 percent YoY, picking up slightly from last month's 1.1 percent. Key inflation pressures included transportation prices (+7.2 percent), vegetable produce (+6.3 percent), and education (+5 percent). Wholesale inflation meanwhile jumped 13 percent as prices rose broadly across chemicals (+91 percent), refined petroleum products (+29 percent), machinery (+9 percent), and minerals (+4 percent).
- The World Bank raised Saudi Arabia's 2022 growth forecast from 3.3 percent to 4.9 percent while downgrading its 2023 forecast from 3.2 percent to 2.3 percent. The change reflects the strength of oil market trends and the expectation for a faster pickup in both oil and non-oil growth this year.
- Venture capital investment in Saudi Arabia grew 270 percent to SAR2.1 billion (\$548 million), according to a recent report by Magnitt and Saudi Venture Capital Company (SVCC). Saudi Arabia passed Egypt to reach the second rank among MENA countries, behind the U.A.E. The Kingdom saw 139 venture deals signed, including its first investment round exceeding \$100 million.

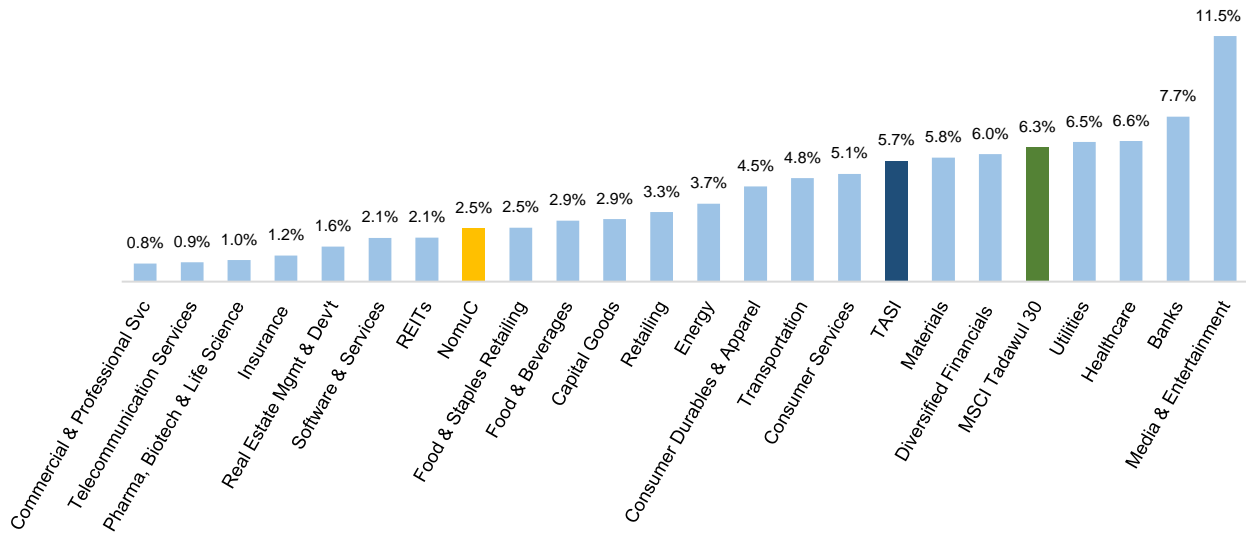


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Tadawul

The TASI rose 5.7 percent last week and closed at 12,079 points as the index hit its highest level since 2006. All sectors finished in positive territory. 'Media & Entertainment' continued its weeks-long surge and rose a further 11.5 percent, followed by 'Banks' and 'Healthcare,' which rose 7.7 percent and 6.6 percent, respectively. The NomuC parallel market index rose 2.5 percent while the MSCI Tadawul 30 index jumped 6.3 percent to close at 1,687 points.

Tadawul Weekly Index Performance - January 14, 2022



Source: Tadawul, USSBC



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### Business, Trade, & Investment

- Lucid Motors announced it will build an electric vehicle (EV) factory in Saudi Arabia by 2026. The Public Investment Fund (PIF) owns a reported 63 percent stake in the luxury EV startup, according to SEC filings.
- Perma-Pipe International announced SAR23 million (\$6 million) in new contracts pertaining to infrastructure developments in Egypt and Saudi Arabia. The Texas-based engineering firm signed its first contract with Saudi firm Future Horizons Contracting for use of its fabrication and coating capabilities.
- Lockheed Martin announced a partnership with King Fahd University of Petroleum & Minerals (KFUPM) on STEM initiatives to upskill Saudi youth. The agreement will support competitions assessing senior-year projects at the KFUPM's College of Engineering and Computer Science.
- Saudi Aramco agreed to acquire a 30 percent stake in a 210,000 barrel per day (bpd) refinery in Gdansk, Poland as part of an effort to expand its global presence in refining, wholesaling, and jet fuel marketing in international markets. Per the deal, Aramco would acquire a full ownership stake in the associated wholesale trade segment of the operations.
- Brazil's BRF SA signed an agreement with the PIF to locally produce poultry goods in Saudi Arabia through a joint venture. The deal reportedly includes investments worth SAR1.3 billion (\$350 million). PIF will own a 30 percent stake in the venture.
- Saudi Arabia's Tourism Development Fund (TDF) signed an agreement with investment solutions firm Derayah Financial to establish a SAR100 million (\$26 million) private equity fund to back small and medium-sized companies operating in the tourism sector.
- Saudi Arabia's theatrical box office took in SAR893 million (\$238 million) in 2021, according to Variety. Four years after a longstanding cinema ban was lifted, the Kingdom is now the top film market in West Asia by gross box office receipts.



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## Banking

Weekly money supply M1 fell 0.2 while M2 and M3 rose 0.4 percent and 0.3 percent, respectively, during the week ending January 6.

## U.S. MARKETS

### U.S. Macroeconomic Developments

- U.S. inflation accelerated to 7 percent YoY in December, a 39-year high. Energy prices were the biggest contributor (+29 percent), but prices were also higher for shelter (+4 percent), food (+6 percent), and new vehicles (+12 percent). Pandemic-induced supply constraints, labor shortages, increased demand, and low base effects from 2020 all contributed to higher prices during 2021.
- U.S. retail sales unexpectedly fell 1.9 percent MoM in December due to early holiday shopping and higher prices. November and December sales were still 12.9 percent over last year's level. A 9 percent decline in non-store retailers (mainly e-commerce), the largest of any category, likely reflects consumer demand for in-person shopping around the holidays.
- Small business optimism picked up 0.5 points in December to 98.9 with seven of the index's ten components increasing, according to the National Federation of Independent Businesses (NFIB). Business owners reported better economic conditions and earnings while inflation and staffing concerns remain the most pressing issues.

## Fixed Income

The yield on the ten-year U.S. Treasury increased to 1.78 percent.

## Equity Markets

The Dow Jones Industrial Average (DJIA) fell 0.9 percent and finished the week at 39,912 points. The S&P 500 lost 0.3 percent and finished at 4,663 points while the NASDAQ dropped 0.3 percent to reach 14,894 points.



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## GLOBAL MARKETS

- Arab Light crude rose 2.4 percent and finished the week at \$84.23. Global benchmark Brent crude gained 5.3 percent and finished the week at \$86.06 and West Texas Intermediate (WTI) rose 6.2 percent and closed at \$83.82. Saudi Aramco lowered Arab Light crude prices for Asia, its biggest market, by \$1.30 per barrel to a premium of \$1.70 above the regional benchmark. Just last month, Saudi Arabia raised its Asia premium to the highest in nearly two years. Geopolitical tensions in Europe and the Middle East, along with the Omicron surge, drove prices towards a seven-year high.
- China's economy grew 4 percent YoY in Q4 despite economic headwinds that included COVID lockdowns, supply chain disruptions, and a downturn in real estate markets. The pace of growth exceeded market expectations but marks the slowest in 18 months. Full-year growth registered at 8.1 percent, outpacing the government's 6 percent target. Consumption expenditures contributed to 65 percent of 2021 full-year GDP.
- Dubai's non-oil Purchasing Managers' Index (PMI) hit the highest level since June 2019 in December. Survey data showed a strong increase in new orders amid rebounding tourism, relaxed COVID protocols, and Expo-related inflows. Construction activity rose at the quickest pace since February, but still lags the recovery seen in tourism and retail. Inflationary pressures picked up at the fastest pace in nine months and Omicron fears led to a fall in forward-looking sentiment.

## THE WEEK AHEAD

- U.S. releases home sales for December on January 20
- Saudi Arabia releases real estate prices for Q4 on January 20
- Saudi Arabia releases international trade figures for November on January 25