



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

Weekly Market Brief
Week Ending December 17, 2021

SAUDI ARABIAN MARKET

Saudi Arabia Macroeconomic Developments

- Consumer prices rose 1.1 percent YoY in November, accelerating from last month's 0.8 percent increase. Transportation prices were the primary driver of the pickup in inflation, rising 5.7 percent. Gasoline specifically is up 48 percent YoY. Food and beverage prices also increased 1.6 percent in November, driven by higher vegetable prices. On a monthly basis, consumer prices remained relatively stable and picked up by 0.2 percent.
- Saudi Arabia's unemployment rate remained unchanged at 6.6 percent in Q3, according to the General Authority for Statistics (GASat). Non-Saudi unemployment decreased while Saudi employment increased, but the respective trends offset each other. Unemployment is down 1.9 percentage points from Q3 last year. Saudi female labor force participation rose from 34 percent to 36 percent QoQ.
- Saudi GDP rose 7 percent YoY in Q3, supported by a strong recovery in oil markets (+9.3 percent YoY) but also solid non-oil growth (+6.3 percent). The strongest non-oil sectors were finance & insurance (+13.4 percent), wholesale & retail (+10.8 percent), and social services (+7.4 percent).
- Saudi Arabia's holdings of U.S. Treasuries declined SAR29 billion (\$7.8 billion) in October, the lowest level in five years. Saudi holdings of U.S. Treasuries now totals SAR437 billion (\$116.5 billion). The Kingdom remained the 17th largest sovereign holder of U.S. debt.

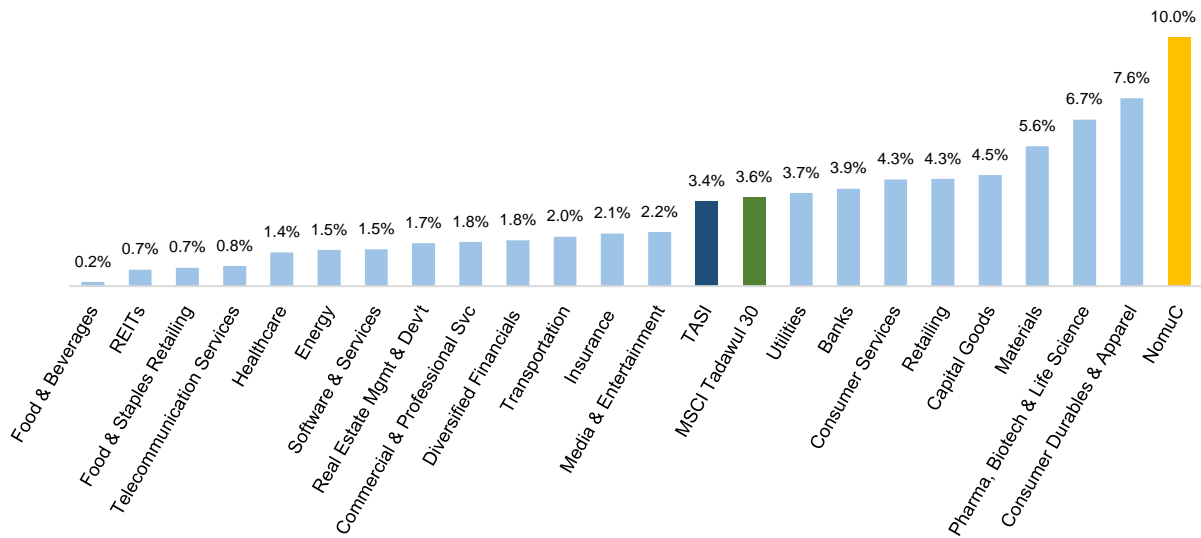


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Tadawul

The TASI rose 3.4 percent last week, closing at 11,312 points with all sectors finishing in positive territory. 'Consumer Durables & Apparel' rose 7.6 percent followed by 'Pharma, Biotech, & Life Science' and 'Materials,' which rose 6.7 percent and 5.6 percent, respectively. 'Food & Beverages' saw the least change, but still finished up 0.2 percent. The NomuC parallel market index meanwhile surged 10 percent while the MSCI Tadawul 30 index rose 3.6 percent to close at 1,550 points.

Tadawul Weekly Index Performance - December 17, 2021



Source: Tadawul, USSBC



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Business, Trade, & Investment

- Chevron Lummus Global (CLG) and Saudi Aramco signed a joint collaboration and license agreement to co-develop Aramco's Heavy Oil Processing Initiative (HOPI+) technology. HOPI+ aims to achieve relatively higher conversion of vacuum residue and other available heavy feeds, including incremental crude, using CLG's LC-FINING platform.
- H.R.H. Prince Mohammed bin Salman announced a new master development plan, the Downtown Jeddah project, to develop a 5.7 million square-meter city area with a total investment of SAR75 billion (\$20 billion). The project will be led by the Public Investment Fund's (PIF) Central Jeddah Development in three phases with the first scheduled to be completed by the end of 2027.
- Boeing secured a SAR1.5 billion (\$398 million) contract to move into a second phase of its airborne warning and control system aircraft modernization program for Saudi Arabia's air force. The company will provide production, training, installation and checkout services to ensure interoperability of the Saudi E-3 AWACS fleet with U.S. Air Force systems and maintain aircraft viability through 2040, according to the Department of Defense.
- U.S. oilfield services provider National Oilwell Varco (NOV) signed an agreement with Saudi Arabia's Ministry of Energy to cooperate in developing and enhancing the use of polymer-based applications in the oil & gas industry.
- U.S. mobility startup Lime announced plans to launch its e-scooter and bike rental services across the Middle East over the next two years, including the U.A.E., Bahrain, and Saudi Arabia.
- Qiddiya Investment Company (QIC) awarded a SAR3.8 billion (\$1 billion) contract to France's Bouygues Batiment International to establish the Six Flags Qiddiya theme park. The planned 320,000 square meter park will feature 28 various rides and attractions.
- Saudi Global Ports (SGP), the container terminal operator at King Abdulaziz Port Dammam, was awarded a concession contract by the Saudi Railway Company (SAR) to develop and operate the Riyadh Dry Port ecosystem. The ecosystem comprises three facilities in Riyadh and Dammam.
- NEOM awarded Thyssenkrupp a contract to engineer, procure, and fabricate a 2GW electrolysis plant. Upon commissioning, the facility would produce hydrogen to be synthesized into carbon-free ammonia for export exclusively by Air Products to global markets.



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- Al-Rushaid Construction Company was awarded a SAR800 million (\$213 million) contract to execute civil construction works at Advanced Polyolefins Company's (APC) Jubail petrochemicals complex. Al-Rushaid is performing the building, steel structure, mechanical, tank, piping, painting, electrical and instrumentation works on APC's propane dehydrogenation plant.

Banking

Weekly money supply M1, M2, and M3 rose 1.3 percent, 1.3 percent, and 0.8 percent, respectively, during the week ending December 2.

On a year-to-date basis, M1, M2, and M3 have risen 5 percent, 4.7 percent, and 6.7 percent, respectively.

U.S. MARKETS

U.S. Macroeconomic Developments

- Industrial production rose 0.5 percent in November, slowing from the upwardly revised 1.7 percent gain in October. Labor shortages and supply chain constraints continue to drag down momentum, though supplier deliveries show signs of improvement. Total industrial production remains 1.8 percent below its pre-pandemic peak.
- The Federal Reserve announced it would double the pace of its asset-purchasing drawdown amid inflation concerns. The Fed also signaled a strong likelihood of interest rate hikes in 2022. The new pace of asset-purchasing drawdown would bring the program to a full stop by March 2022.
- Housing starts jumped 11.8 percent in November to a 1.679-million-unit pace, benefiting from unseasonably mild weather throughout most of the country. Single-family starts rose 11.3 percent while multifamily starts rose 12.9 percent.

Fixed Income

The yield on the ten-year U.S. Treasury decreased to 1.41 percent.



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Equity Markets

The Dow Jones Industrial Average (DJIA) fell 1.7 percent and finished the week at 35,365 points. The S&P 500 lost 1.9 percent and finished at 4,621 points while the NASDAQ dropped 3 percent to reach 15,170 points following the Fed announcement of accelerated tapering and the coming hike in interest rates.

GLOBAL MARKETS

- Arab Light crude rose 0.7 percent and finished the week at \$75.72. Global benchmark Brent crude meanwhile fell 2.2 percent and finished the week at \$73.52 and West Texas Intermediate (WTI) lost 1.1 percent and closed at \$70.86. Surging Omicron cases globally has raised fears of new domestic and international restrictions on travel that would hamper oil demand. OPEC+ stated it may convene before the scheduled January 4 meeting to evaluate changes in demand outlook.
- China's industrial production rose 3.8 percent YoY in November, accelerating from last month and outpacing market forecasts. By industry, production grew for electrical machinery and equipment (+9.4 percent), general equipment (+2.8 percent), and agriculture and food processing goods (+7 percent). Production of vehicles (-4.7 percent) and textiles (-3.5 percent) both declined.
- The Bank of England raised key interest rates by 15 basis points last week, surprising markets that expected no change before 2022. Interest rates were raised from 0.1 percent to 0.25 percent amid rising inflation. The Bank also revised expectations of U.K. GDP growth down by around 0.5 percent, leaving 2021 GDP 1.5 percent below its pre-COVID level.

THE WEEK AHEAD

- U.S. releases durable goods orders for November on December 23
- U.S. releases personal income and spending for November on December 23
- Saudi Arabia releases international trade figures for October on December 26