



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

Weekly Market Brief
Week Ending September 2nd, 2022

SAUDI ARABIAN MARKET

Saudi Arabia Macroeconomic Developments

- Saudi Arabia's non-oil private sector economy reached a ten-month high in business activity, according to S&P Global's Purchasing Managers' Index (PMI). Saudi PMI rose to 57.7 points in August from 56.3 points in July, the highest rate since October 2021. New orders and exports picked up while input price pressures eased. Purchasing growth accelerated to the fastest pace in seven years.
- The number of small and medium-sized enterprises (SMEs) in Saudi Arabia totaled 892K at the end of Q2, rising 25.6 percent YoY. Approximately 81 percent of SMEs were micro-sized companies with 1-5 employees or revenue up to SAR3 million (\$800K), according to a recent report from the Small & Medium Enterprises Authority (Monsha'at).
- Personal remittances of foreigners residing in the Kingdom fell 7.3 percent YoY, reaching SAR11.6 billion (\$3.1 billion). Remittances of Saudis meanwhile rose 49 percent YoY to SAR6.2 billion (\$1.6 billion).
- Saudi banks' investments in treasury bonds rose 8.5 percent to SAR493.4 billion (\$131.6 billion), according to data from the Saudi Central Bank (SAMA). Assets held by SAMA meanwhile rose by SAR19.5 billion (\$5.2 billion) to reach SAR2 trillion (\$535 billion) in July.

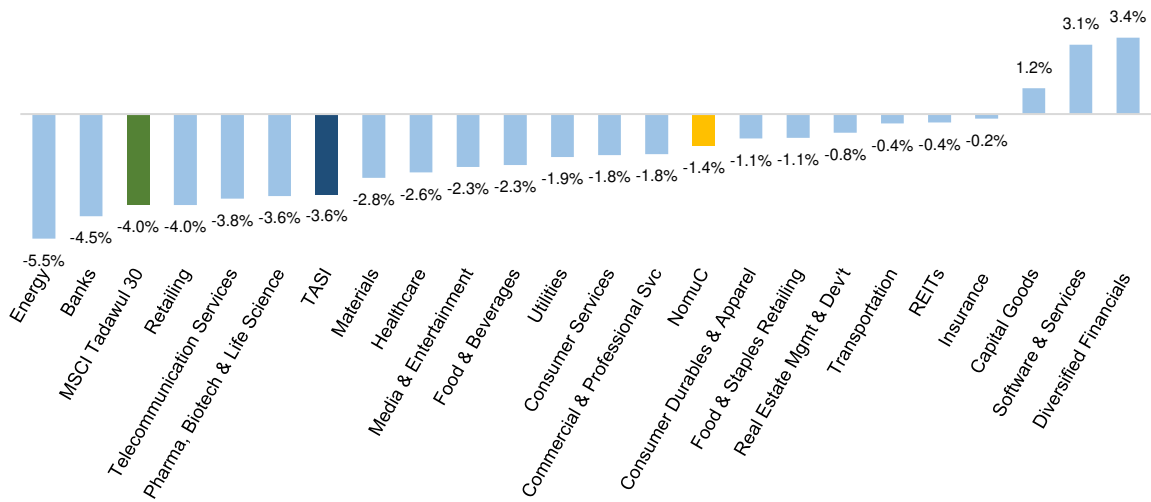


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Tadawul

The TASI fell 3.6 percent and closed at 12,143 points. ‘Diversified Financials’ led with a 3.4 percent gain, followed by ‘Software & Services’ and ‘Capital Goods,’ which rose 3.1 percent and 1.2 percent, respectively. The NomuC parallel market index declined 1.4 percent while the MSCI Tadawul 30 fell 4 percent and closed the week at 1,687 points.

Tadawul Weekly Index Performance - September 2, 2022



Source: Tadawul, USSBC

- Foreign investor ownership in the Tadawul market fell to SAR354 billion (\$94 billion) at the end of Q2 from SAR392 billion (\$105 billion) in Q1. The Nomu parallel market also saw a drop in foreign ownership in Q2 from SAR489 million (\$130 million) to SAR388 million (\$104 million).



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Business, Trade, & Investment

- The General Authority for Competition (GAC) approved Saudi Arabian Military Industries' (SAMI) bid to acquire a 51 percent stake in Saudi Rotorcraft Support Co. Upon completion of the deal, Boeing will retain its 49 percent stake in Saudi Rotorcraft Support Co.
- Domestic investments by Saudi Arabia's Public Investment Fund (PIF) have grown to a record high SAR932 billion (\$248 billion), according to Okaz. The PIF's largest domestic holdings were a 4 percent stake in Saudi Aramco followed by stakes in STC, Ma'aden, and Saudi National Bank (SNB).
- Wa'ed Ventures, the venture capital subsidiary of Saudi Aramco, led a SAR49 million (\$13 million) series A funding round for OQ Technology, a 5G IoT satellite and networking company.
- Jeddah Central Development Company (JCDC), a wholly owned subsidiary of the PIF, signed a major contract to begin implementation of infrastructure and marine works at the 5.7 million square kilometer land plot overlooking the Red Sea. The proposed investment scope of the Jeddah Central Project is estimated to be SAR75 billion (\$20 billion).
- South Korea's SeAH Group entered a joint venture with Saudi Aramco to produce specialty steel pipes at King Salman Energy Park (SPARK). Last September, SeAH subsidiary, SeAH Changwon agreed to invest SAR862.5 million (\$230 million) jointly with Dussur, PIF, and SABIC to set up a stainless steel production plant.
- PIF-backed Industrialization and Energy Services Co. (TAQA) entered an agreement to acquire 100 percent of Abu Dhabi's AlMansoori Petroleum Services. PIF owns 45 percent of TAQA while the remaining 55 percent is owned collectively by joint stock companies and private investors.

Banking

Money supply M1 and M2 fell 0.4 percent and 0.1 percent, respectively, while M3 rose 0.1 percent during the week ending August 25.



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U.S. MARKETS

U.S. Macroeconomic Developments

- The U.S. economy netted 315K jobs in August, outpacing market forecasts. Job gains were broad-based but led by professional & business services (+68K), healthcare (+48K), and retail trade (+44K). Job levels now stand 240K higher than the pre-pandemic period of February 2020. However, the unemployment rate rose to 3.7 percent in August as a rise in labor force participation outpaced job gains.
- U.S. PMI reached 51.5 points in August, remaining in growth territory above the 50-point mark but declining for the fourth consecutive month. Survey data indicated the slowest growth in factory activity since July 2020. Output contracted again as new orders fell for a third consecutive month amid weakened client demand.
- Initial jobless claims during the week ending August 27 totaled 232K, indicating tight labor conditions amid a global economic slowdown. Continuing jobless claims totaled 1.4 million in August.

Fixed Income

The yield on the ten-year U.S. Treasury rose to 3.2 percent.

Equity Markets

The Dow Jones Industrial Average (DJIA) fell 3 percent and finished the week at 31,318 points. The S&P 500 lost 3.3 percent and finished at 3,924 points while the NASDAQ declined 4.2 percent and finished the week at 11,631 points. During the month of August, DJIA fell 4.1 percent, the S&P fell 4.2 percent, and the NASDAQ lost 4.6 percent.



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GLOBAL MARKETS

- Arab Light crude declined 6.9 percent and finished the week at \$100.28. Global benchmark Brent crude lost 7.9 percent to reach \$93.02 while West Texas Intermediate (WTI) fell 6.7 percent and closed at \$86.87. OPEC+ forecasted a small surplus of 400K barrels per day (bpd) at its September meeting. The Saudi Energy Minister stated OPEC+ is ready to cut output amid volatility in the oil futures market resulting from tightening liquidity. The return of lockdowns in some Chinese cities added to the weakening in oil prices last week. During its meeting on Monday, OPEC+ surprised energy markets with a small production cut of roughly 100K from October targets.
- Egypt's non-oil economy saw a softer decline in business conditions, climbing to 47.6 points in August but remaining in contraction territory. Firms experienced weakening client demand amid inflation pressures. New orders decreased at the softest rate since April while business sentiment remained subdued.
- U.A.E. PMI reached a 38-month high of 56.7 points in August, according to S&P Global. The business survey signaled robust improvements in U.A.E.'s non-oil economic activity. Input costs fell sizably for the first time since January 2021. However, firms still indicated hesitancy about the length of the current growth phase with business confidence for the year ahead down to a 17-month low.

THE WEEK AHEAD

- Saudi Arabia releases GDP and national accounts report for Q2 on September 7
- U.S. releases balance of trade figures for July on September 7
- Saudi Arabia releases industrial production index for July on September 11