



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

Weekly Market Brief
Week Ending February 3rd, 2023

SAUDI ARABIAN MARKET

Saudi Arabia Macroeconomic Developments

- The Saudi Central Bank (SAMA) has increased its interest rate by 25 basis points to 5.25 percent, mirroring Wednesday's move by the U.S. Federal Reserve to curb inflation. The Fed's quarter-point interest rate hike follows months of larger increases, as it hiked 50 basis points in December, and 75 basis points in November, September, July, and June.
- Saudi Arabia's Purchasing Managers' Index reached 58.2 points in January 2023, the second-highest since September 2021, according to the latest Riyadh Bank Saudi Arabia Purchasing Managers Index report. New order inflows continued to rise at a marked pace in January, as firms typically commented on improving demand conditions and stronger client orders.
- Saudi Arabia's real gross domestic product grew by 5.4 percent in the fourth quarter of 2022, compared to the same period in 2021, driven by a high increase in non-oil activities, according to the latest report released by the General Authority for Statistics (GASat). Non-oil activities in the Kingdom rose 6.2 percent YoY in the fourth quarter of 2022, while oil activities rose by 6.1 percent.
- The International Monetary Fund (IMF) revised Saudi Arabia's 2023 GDP growth rate to 2.6 percent, down 1.1 percent from its October projection. The downgrade for 2023 mainly reflects lower oil production in line with an agreement by OPEC+, while non-oil growth is expected to remain robust.
- Saudi Arabia's oil export value rose by 11.8 percent to SAR9.5 billion (\$2.53 billion) YoY in November 2022, according to the latest data released by GASat. The total value of overall merchandise exports in November 2022 amounted to SAR12.8 billion (\$3.4 billion).
- Consumer spending in Saudi Arabia increased 9 percent to SAR1.24 trillion (\$331 billion) in 2022, from SAR1.13 trillion (\$301 billion) a year earlier, according to SAMA. Point of Sale (POS) transactions rose 18 percent YoY to SAR559.1 billion (\$149 billion) in 2022.



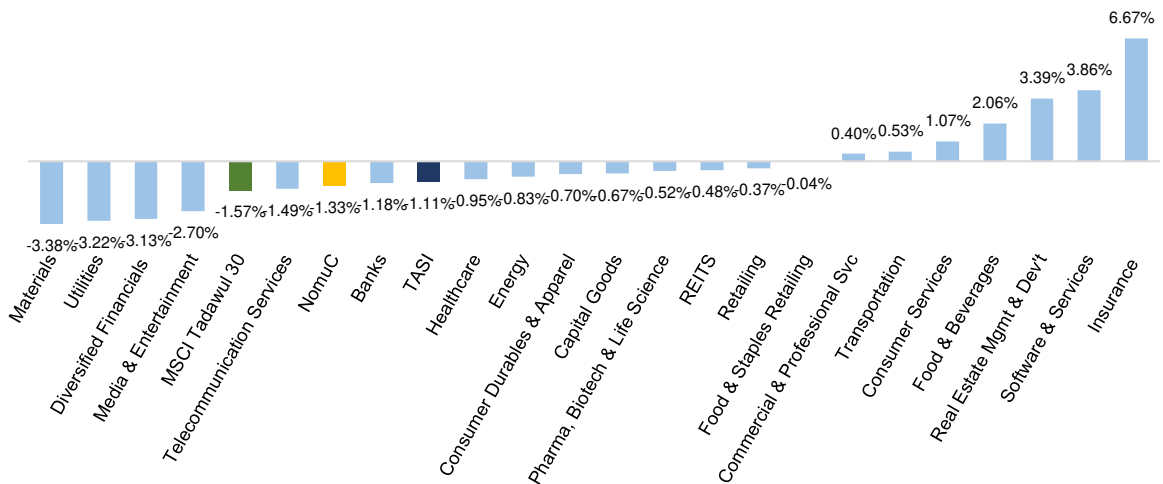
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- Saudi bank loans granted to the public and private sector rose 14 percent by the end of 2022 to SAR2.41 trillion (\$643 billion), compared to SAR2.12 trillion (\$565 billion) a year earlier, according to SAMA. Private sector lending also increased by 13 percent YoY to SAR2.29 trillion (\$611 billion). Meanwhile, loans granted to non-financial public sector enterprises jumped 34 percent YoY to about SAR127.9 billion (\$34.1 billion) by the end of 2022.

Tadawul

The TASI declined 1.11 percent last week and closed at 10,701 points. Seven of the 21 sectors finished the week in positive territory with 'Insurance' and 'Software & Services' experiencing the greatest increases at 6.67 percent and 3.86 percent, respectively. 'Materials' had the steepest decline at 3.38 percent followed by 'Utilities' at 3.22 percent. The NomuC parallel market index decreased by 1.33 percent and closed at 18,996 points, while the MSCI Tadawul 30 dropped 1.57 percent and closed the week at 1,475 points.

Tadawul Weekly Index Performance - February 3, 2023



Source: Tadawul, USSBC



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Business, Trade, & Investment

- Saudi Aramco signed over 100 agreements and MoUs worth around SAR27 billion (\$7.2 billion) to help advance a diverse, sustainable, and globally competitive industrial ecosystem on the opening day of the 7th edition of the In-Kingdom Total Value Add (IKTVA) Forum and Exhibition in Dammam. The program achieved 63 percent local content in 2022, up from 35 percent in 2015.
- The number of workers in Saudi Arabia reached 14.59 million by the end of Q3 2022, data issued by GAsat showed. The private sector accounted for 64 percent of total workforce, followed by the public sector at 12 percent. Domestic workers accounted for the remaining. By the end of Q3 2022, the number of expat workers reached 10.90 million, constituting 75 percent of the total workforce.
- Saudi-listed banks reported a 21 percent rise in aggregate net profit before Zakat and tax to SAR6.16 billion (\$1.6 billion) in December 2022, compared to SAR5.11 billion (\$1.4 billion) a year earlier, monthly data from SAMA showed. Banks' aggregate assets increased nearly 10 percent YoY to SAR3.62 trillion (\$965 billion) in December.
- Saudi Entertainment Ventures (SEVEN) acquired U.S.-headquartered AMC Entertainment Holdings' 85 cinema screens in the Kingdom after buying 100 percent of the firm's stake in the country.
- Saudi Arabia's Public Investment Fund signed a joint venture agreement with U.S.-based AeroFarms to establish a company in Riyadh to build and operate indoor vertical farms in the Kingdom and the wider Middle East and North Africa region.
- Saudi Arabia's tourism spending surged 93 percent in 2022 to hit SAR185 billion (\$49 billion), up from SAR95.6 billion (\$25.5 billion) in 2021, as the Kingdom continues to diversify its economy as part of Vision 2030.
- Parsons Corporation announced it was selected by the Rua Al-Madinah Holding Company (RAM-H) to provide construction project management consultancy and contract administration services (PMCM) for the Rua Al-Madinah mega mixed-use real estate project in the holy city of Al-Madinah Al-Munawarah. Under the SAR56.3 billion (\$15 million) contract, Parsons will manage the main infrastructure works including tunnel, road, and utility works.



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Banking

Money supply M1, M2, and M3 increased by 1.09 percent, 1.07 percent, and 0.87 percent, respectively during the week ending January 26th.

U.S. MARKETS

U.S. Macroeconomic Developments

- The Employment Cost Index slowed for a third consecutive quarter, rising 1 percent in Q4. Still, employment costs are rising at a 4 percent annualized pace in a tight labor market. The increase was a bit softer than the consensus expectation of 1.1 percent and marks the third straight quarter in which total employment cost growth slowed.
- The Consumer Confidence Index slipped to 107.1 points, which is above the prior six-month pace of 103.7 but still well-below the levels that prevailed pre-pandemic. Views on current conditions improved, with the present situation index rising to 150.9 points, or the highest reading in nine months.
- The Federal Open Market Committee (FOMC) unanimously agreed to raise its target range for the federal funds rate by 25 bps at the conclusion of its policy meeting last week. The target range is now 4.50 percent-4.75 percent, which is 450 bps higher than where it was when the FOMC started its tightening cycle last March.
- Total construction spending declined 0.4 percent during December. Total residential (-0.3 percent) and nonresidential (-0.5 percent) spending both fell during the month. Public (-0.4 percent) and private (-0.4 percent) outlays also slipped.

Fixed Income

The yield on the ten-year U.S. Treasury increased to 3.53 percent.

Equity Markets

The Dow Jones Industrial Average (DJIA) decreased by 0.15 percent and finished the week at 33,926 points. The S&P 500 rose 1.621 percent and finished at 4,136 points. Meanwhile, the NASDAQ gained 3.31 percent and ended the week at 12,006 points.



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GLOBAL OIL MARKETS

- Arab light crude dropped 5.89 percent and finished the week at \$81.14. Global benchmark Brent crude declined 7.75 percent to \$79.94 a barrel, while U.S. West Texas Intermediate (WTI) crude fell 7.48 percent and closed at \$73.47.
- Oil prices declined to over three-week lows after strong job data raised concerns about higher interest rates and investors sought more clarity on the imminent E.U. embargo on Russian refined products.

THE WEEK AHEAD

- U.S. releases Balance of Trade for December on February 7
- Saudi Arabia releases Industrial Production for December on February 9
- U.S. releases Initial Jobless Claims on February 9