

# CAPITAL MARKET OVERVIEW



SECOND QUARTER 2023

[www.saudiexchange.sa](http://www.saudiexchange.sa)



# Foreword

## During the second quarter of 2023, the Saudi capital market experienced steady growth as we continued to invest in infrastructure and build upon the strong foundations laid in 2023.

The macroeconomic environment in the region saw ongoing changes: while GDP growth in Saudi Arabia slowed, inflation declined between Q1 2023 and Q2 2023, ending five consecutive quarters of rising inflation.

However, despite changing dynamics, the Saudi Exchange has seen continued success in its path to develop an advanced capital market ecosystem – one that not only aligns with global best practices but also serves as a bridge between the Middle East and global markets.

In Q2 2023, market capitalization on the Main Market increased by 9.24% to SAR 10.90 trillion when compared with Q1 2023. Average daily value traded rose by 40.22% between Q1 2023 and Q2 2023 to SAR 5.90 billion. Average daily volume traded rose by 13.79% between Q1 2023 and Q2 2023 to 298.70 million shares.

Meanwhile, the Nomu – Parallel Market's market capitalization increased significantly, up 54.61% between Q1 2023 and Q2 2023 to SAR 59.88 billion, bolstered by the listing of eight new companies. The number of trades on the parallel market increased by 19.81% from the previous quarter to 148,217.

The Nomu - Parallel Market hosts a diverse array of SMEs, spanning sectors such as information technology, materials, and consumer staples. In the Q&A section of this report, Nayef Al-Athel, the Saudi Exchange's Chief of Listing, discusses in greater detail the objectives behind the Nomu – Parallel Market's creation and its role in the ongoing diversification of the Saudi capital market.

As the Saudi Exchange continues to expand, attracting new investors and enhancing liquidity remains a key focus of our growth strategy. Developing a stronger, more accessible capital market helps us to expand the opportunities available for all investors, regardless of whether they are domestic or international.

This quarter, we continue to see the results of our efforts to attract foreign investors to our market. The value of qualified foreign

investors holdings increased by 8.35% in the Main Market, and by 22.53% in the Nomu – Parallel Market between Q1 2023 and Q2 2023.

In addition, trading in Saudi Exchange's sukuk and bonds market remained active. The number of trades rose by 10.61% compared with the previous quarter to 8,583 trades. The total size of issuance increased slightly, rising 0.53% between Q1 2023 and Q2 2023 to SAR 529.75 billion.

This quarter, we focused on enhancing our market infrastructure and introduced initiatives including changes to the debt market, negotiated deals, the introduction of drop copy, cancel on disconnect orders, request for quotes and normal trade removal for the Main Market. Moving into the third quarter of 2023, we will focus on introducing new products that will further align the Saudi capital market with global peers and provide further promising opportunities for growth.

**Mohammed Al Rumaih**  
CEO of Saudi Exchange



## Q2 KEY HIGHLIGHTS

### SAUDI CAPITAL MARKET

**5.90**

**BILLION SAR**

**(1.57 BILLION USD)**

Average daily value traded during Q2 2023

**10.61%**

The Q-on-Q growth of the number of trades in sukuk & bonds with 8,583 trades during Q2 2023

**375**

**BILLION SAR**

**(100 BILLION USD)**

Holding value of Qualified Foreign Investors at the end of Q2 2023



# The Saudi Arabian Economic Overview

(Based on data available at the time of publication)

While Saudi Arabia saw sustained economic growth that outpaced the averages of G20 and OECD nations throughout 2022, the country experienced a slowdown in the start of 2023. In the first quarter of 2023, Saudi Arabia's GDP contracted by 1.44%, compared to a G20 average of 0.90% and an OECD average of 0.40% in the same period. This represented the first contraction of the Saudi economy since Q1 2021.

Concurrently, the unemployment rate increased slightly, rising by half a percentage point to 8.50% in the first quarter of 2023 from the previous quarter. This still represented the second lowest figure over the preceding eight-quarter period, and a 1.6% drop compared to Q1 2022's unemployment rate of 10.10%.

The average inflation rate declined slightly during the first quarter of 2023 to 3.03% from 3.07% in the previous quarter, ending five consecutive quarters of rising inflation.

Although GDP has slowed and unemployment has risen, the decrease in the average inflation rate in Q1 2023 is a positive and encouraging sign for the Kingdom.

## GDP GROWTH Q-ON-Q

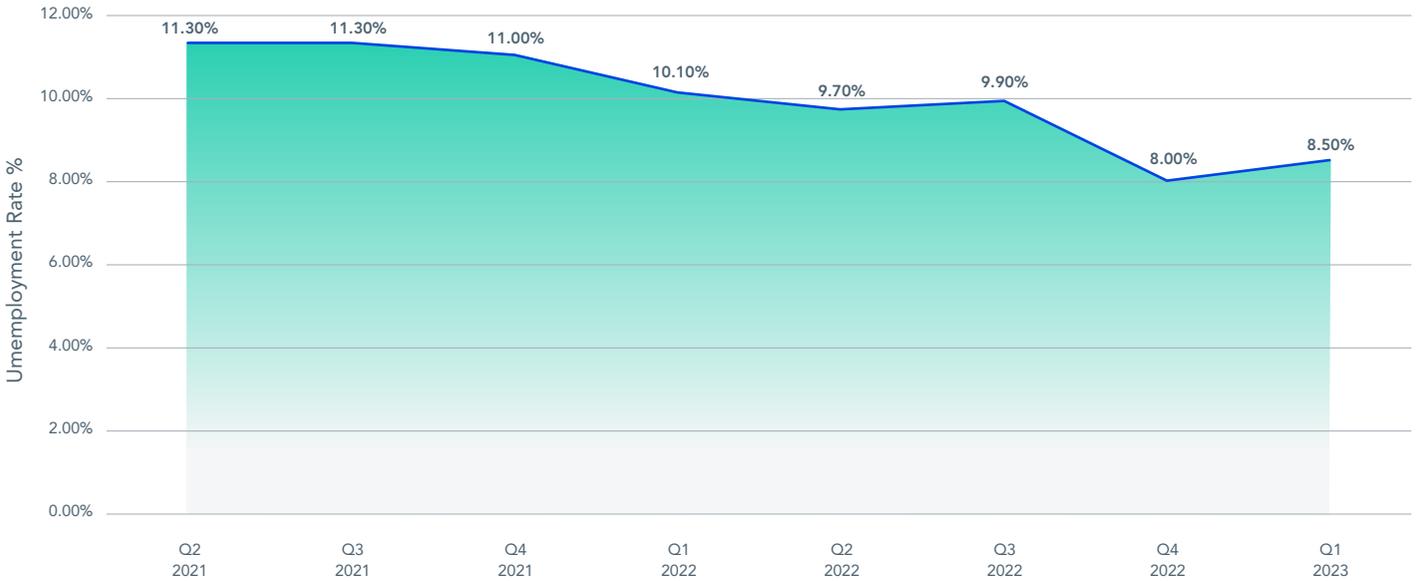


SOURCE: GDP AND SPENDING - QUARTERLY GDP - OECD DATA  
LATEST AVAILABLE DATA IS UP TO Q1 2023



# The Saudi Arabian Economic Overview

## SAUDI NATIONALS' UNEMPLOYMENT RATE Q-ON-Q



SOURCE: GENERAL AUTHORITY FOR STATISTICS (STATS.GOV.SA)  
LATEST AVAILABLE DATA IS UP TO Q1 2023

## INFLATION RATE Q-ON-Q



SOURCE: INFLATION RATE (SAMA.GOV.SA)



# Market Enhancements and Updates

## **Muqassa announces cash market members can provide non-cash collateral in the form of Saudi Arabian Government Sukuk denominated in SAR (May 2023)**

As of 14 May 2023, Muqassa started accepting non-cash collateral in the cash market. The accepted form of non-cash collateral is Saudi Arabian government sukuk denominated in Saudi Riyals with 5 years or less remaining to maturity. The list of eligible securities is published on Muqassa's website and will be subject to periodic review.

## **Saudi Exchange Completes Implementation of Enhancements to Develop Trade Infrastructure (June 2023)**

The Saudi Exchange announced the successful implementation of a bundle of enhancements aimed at further strengthening the Exchange's infrastructure, in line with Vision 2030's Financial Sector Development Program. These enhancements were developed in accordance with international standards with the goal of increasing the efficiency of trading services on the Saudi Exchange.

The new enhancements launched include normal trade removal for the main market, changing the closing price calculation to mid-point for debt instruments and ETFs, debt market microstructural enhancements, request for quotes service for negotiated deals, cancel on disconnect orders and drop copy.

The implementation of these enhancements is part of an ongoing effort by the Saudi Exchange and Saudi Tadawul Group to foster the development of the Kingdom's capital market – elevating its standing in the region and positioning it as a gateway to the MENA region for investors around the world.



# Leadership Insights



As the Saudi Exchange continues to develop an advanced capital market – one that serves as an economic engine both for the Kingdom as well as for the wider region – it is particularly focused on diversifying the range of issuers and increasing listing opportunities for companies of all sizes. Instrumental to this goal has been the creation of the Nomu – Parallel Market, which serves as an alternative listing platform to the Saudi Exchange’s Main Market, aimed particularly at smaller, less established companies.

**Nayef Al-Athel, Chief of Listing at the Saudi Exchange,** discusses the objectives behind the creation of the Nomu – Parallel Market and its role in the ongoing diversification of the Saudi capital market, as well as the opportunities the Nomu – Parallel Market offers for Saudi companies, including SMEs, that may have otherwise found it challenging to raise capital on the public market.

## Can you tell us why the Saudi Exchange created the Nomu – Parallel Market and what the Exchange hoped to achieve through the alternative platform?

Historically, many SMEs have struggled to gain access to capital in the public markets because of high barriers to entry. We launched Nomu – Parallel Market in February 2017 as an alternative equity platform to help such SMEs list on the Saudi Exchange with the goal of not only increasing opportunities for these companies but improving the diversity of our market and creating new opportunities for investors.

Importantly, issuers on Nomu have the opportunity to transition to the Main Market once they obtain the needed approvals.

Beyond launching Nomu, the Saudi Exchange supports listed SMEs throughout their journey as public companies, by providing guidance on investor relations and ESG disclosure.

## How does the Nomu – Parallel Market contribute to the diversification of the Saudi capital market?

In line with Vision 2030, the Saudi Exchange is working to develop a more diverse and sustainable economy that is less reliant on oil. This entails creating a market infrastructure that encourages listings from companies across a broad range of sectors and enables smaller, emerging companies to raise capital on the public market.

By offering a pathway to listing with lighter requirements, Nomu has allowed us to open our market to a wider array of issuers, providing investors with richer, more diverse investment opportunities. Investors can look to Nomu for opportunities across numerous sectors, including materials, capital goods, commercial and professional services, consumer services, retail, food and beverage, health care, software, technology, utilities, REITs and real estate management and development.

We also continue to support other Saudi organizations that have undertaken initiatives to drive the growth and development of Saudi Arabia and increase the diversification of our market. For example, in 2018, Monshaat, the Small and Medium Enterprises General Authority, launched the Tomoh-ELITE program. This program, which helps fast-growing companies progress towards IPO on the Nomu – Parallel Market, is a perfect example of how we can collaborate with other entities to ensure a growing pipeline of SMEs ready for IPO.

## What are the current activity levels in the Nomu – Parallel Market, and what do they mean for the Saudi capital market as we look further into the year?

There has recently been an increase in the number of listings on the Nomu-Parallel market. In 2022, the number of issuers on the market skyrocketed to 46 companies – up from 14 in 2021. We have continued this momentum into 2023 with 16 new listings during the first two quarters. In the second quarter of 2023, we welcomed a diverse range of new companies to Nomu, including Tam Development Company, a specialist in public relations, communications and senior management consulting, and Al Muneef Company for trade, industry, agriculture and contracting.

Looking forward, we are encouraged by the number of companies considering listing on the market. Notably, the Capital Market authority announced that it had fielded applications to list on Nomu from 61 companies as of the end of the first quarter of 2023.<sup>1</sup>

<sup>1</sup><https://en.maaal.com/archives/202306/cma-considers-listing-66-companies-in-tadawul/>



# Equities

The market capitalization and the number of listed companies increased across both the Saudi Exchange's Main Market and Nomu – Parallel Market in Q2 2023 with the value traded also increasing when compared to the previous quarter.

The market capitalization of the Saudi Exchange's Main Market increased by 9.24% from the previous quarter with the total value traded increasing by 20.50% over the same period. The number of listed companies continued to grow during the quarter, with four new listings on the Main Market.

The market capitalization of the Nomu – Parallel Market increased by 54.61% from the previous quarter to SAR 59.88 billion. There were 8 new listings on the Nomu-Parallel market in the second quarter, and the value traded rose by 6.93% when compared to the previous quarter.

## Main Market - Q2 2023

**10.90 Trillion (+9.24%) ↑**

Market capitalization (SAR)

**325.01 Billion (+20.50%) ↑**

Value traded (SAR)

**228 (+4) ↑**

Listed Companies

**11,458.98 (+8.20%) ↑**

Tadawul All Share Index (TASI) Closing

## Nomu - Parallel Market - Q2 2023

**59.88 Billion (+54.61%) ↑**

Market capitalization (SAR)

**1.91 Billion (+6.93%) ↑**

Value traded (SAR)

**62 (+8) ↑**

Listed Companies

**26,147.86 (+31.45%) ↑**

Parallel Market Capped Index (NomuC) Closing



# Equities

Over the Q2 2023 period, average of daily value traded on the Main Market rose to SAR 5.90 billion, a 40.22% increase from the previous quarter, but a 28.37% decrease year-on-year.

## AVERAGE DAILY VALUE TRADED & VELOCITY



## PERFORMANCE OF TASI & VOLUME TRADED

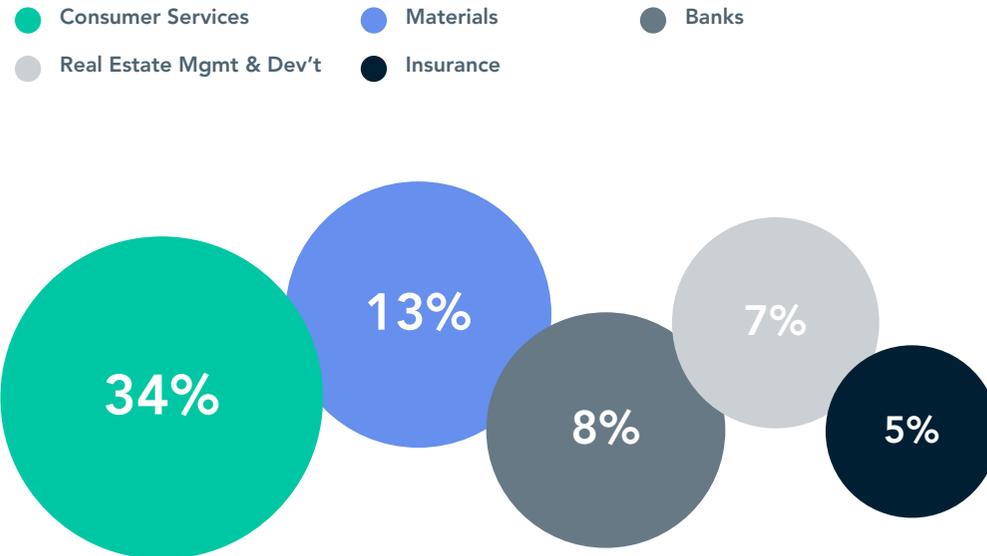


NOTE: TRADING WAS CLOSED ON APRIL 18, 19, 20, 23 AND 24 DUE TO EID AL-FITR AND JUNE 25, 26, 27, 28 AND 29 DUE TO EID AL-ADHA.



During the second quarter of 2023, consumer services and materials were the most active industry groups in terms of volume traded, while materials and banks were the most active in terms of value traded.

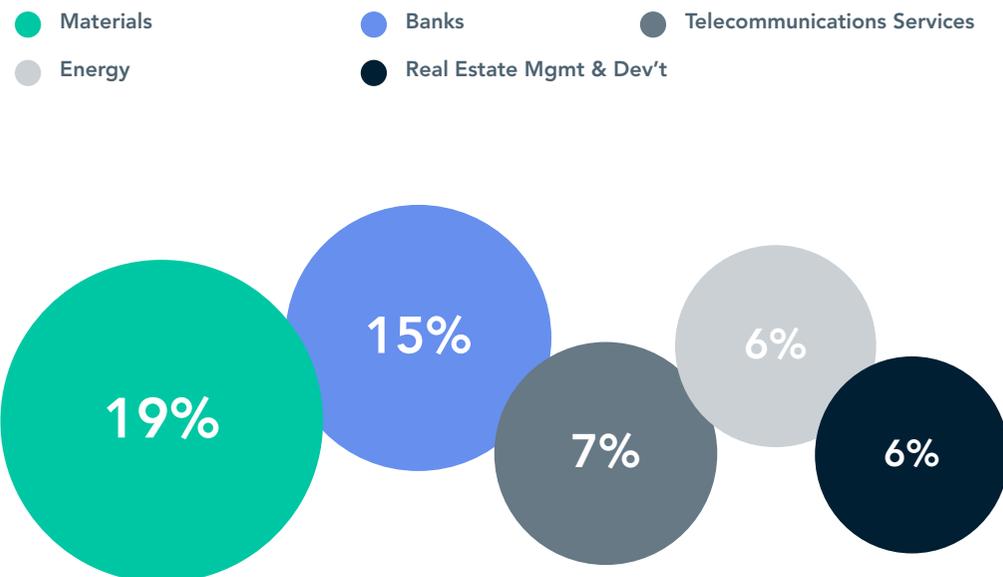
### TOP 5 INDUSTRY GROUPS TRADED BY VOLUME - Q2 2023



**Other Sectors:**

Consumer Services	33.77%
Materials	12.62%
Banks	8.23%
Real Estate Mgmt & Dev't	6.52%
Insurance	5.39%
Telecommunication Services	4.45%
Energy	4.11%
Transportation	3.15%
Health Care Equipment & Svc	2.92%
Commercial & Professional Svc	2.83%
Food & Beverages	2.49%
Food & Staples Retailing	2.14%
Retailing	2.12%
Capital Goods	1.96%
Diversified Financials	1.91%
Consumer Durables & Apparel	1.83%
Utilities	1.01%
REITs	0.98%
Software & Services	0.67%
Media and Entertainment	0.56%
Pharma, Biotech & Life Science	0.34%

### TOP 5 INDUSTRY GROUPS TRADED BY VALUE - Q2 2023



**Other Sectors:**

Materials	19.02%
Banks	15.29%
Telecommunication Services	6.80%
Energy	5.93%
Real Estate Mgmt & Dev't	5.80%
Consumer Services	5.18%
Health Care Equipment & Svc	5.15%
Insurance	4.83%
Food & Beverages	4.83%
Food & Staples Retailing	3.85%
Retailing	3.65%
Capital Goods	3.36%
Software & Services	3.34%
Utilities	3.11%
Diversified Financials	2.65%
Commercial & Professional Svc	1.97%
Transportation	1.67%
Consumer Durables & Apparel	1.25%
Media and Entertainment	1.06%
Pharma, Biotech & Life Science	0.80%
REITs	0.45%



# Sukuk & Bonds

The Saudi Exchange's total size of sukuk and bonds issuance rose by 0.53% to SAR 529.75 billion in the second quarter, with one new listing and two delistings.

Sukuk and bonds continued to show strength in the second quarter of 2023, especially when compared to the previous year. The number of trades increased significantly by 10.61% from the previous quarter to 8,583, representing a 1714.59% increase year-on-year. Despite decreasing to SAR 4.43 billion in the second quarter, the value traded increased 547.18% year-on-year.

## Sukuk / Bonds – Q2 2023 Overview

**529.75 Billion (+0.53%) ↑**  
Total Size of Issuance (SAR)

**943.79 (-0.10%) ↓**  
Sukuk and Bonds Market Index closing

**69 (-1) ↓**  
Listed sukuk and bonds

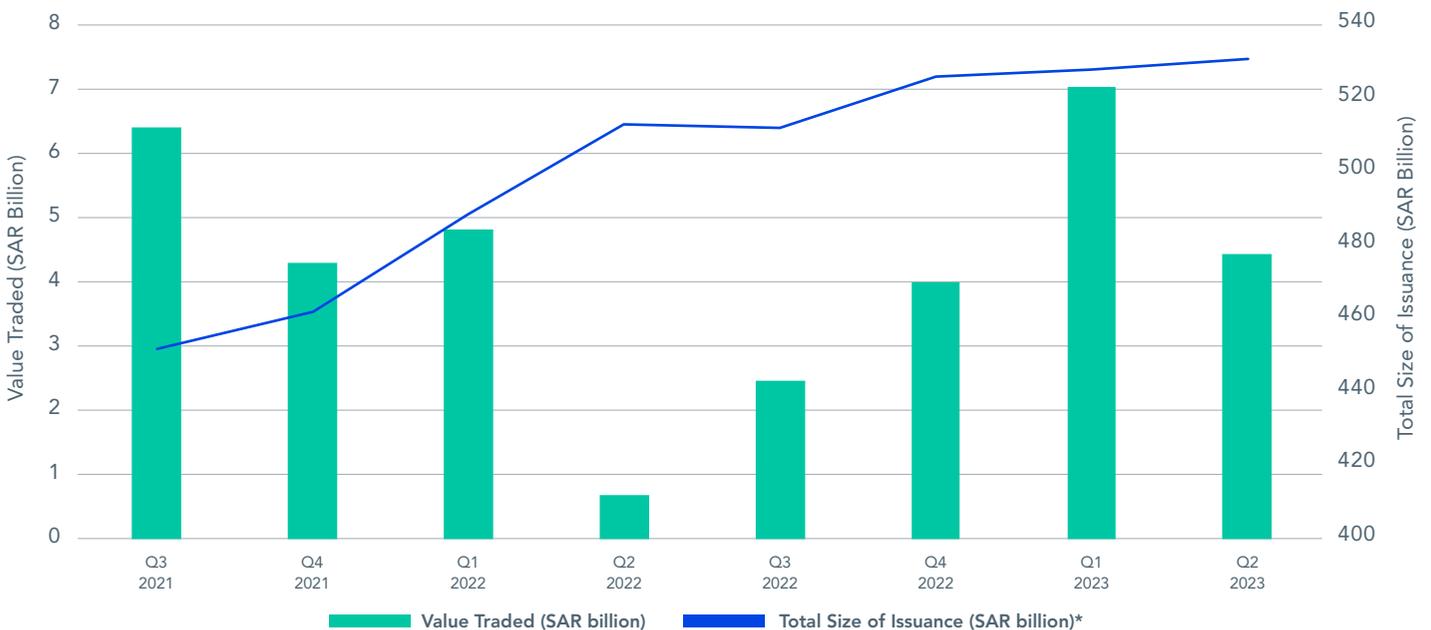
## Q2 2023 V. Q1 2023

Number of Trades  
**8,583 (+10.61%) ↑**

Value Traded (SAR)  
**4.43 Billion (-37.00%) ↓**

Nominal Value Traded (SAR)  
**4.70 Billion (-36.85%) ↓**

## SUKUK & BONDS TOTAL SIZE OF ISSUANCE AND VALUE TRADED



\*As at the end of the quarter



# Derivatives

The total value of derivatives contracts traded on the Saudi Exchange in the second quarter of 2023 rose to SAR 23.47 million, a 12.13% increase compared to the previous quarter.

Further, the volume of contracts traded during the second quarter was 835, representing a 346.52% rise year-on-year.

## Derivatives – Q2 2023 Overview

**23.47 Million (+12.13%) ↑**  
Value Traded

**13 (-45.83%) ↓**  
Number of Trades

## DERIVATIVES MONTHLY TRADING STATISTICS – Q2 2023

Month	Volume Traded	Value Traded (SAR)	Number of Trades
April 2023	100	687,000	1
May 2023	435	21,910,000	9
June 2023	300	874,000	3

## VOLUME & VALUE TRADED OF DERIVATIVES CONTRACTS





# Ownership

The value of foreign investors' holdings in the Main Market increased by 8.35% in the second quarter of 2023 to SAR 375.89 billion compared to the previous quarter, and represented a 6.28% increase year-on-year.

The value of foreign investors' holdings in the Nomu – Parallel Market also built significantly upon its previous growth, rising by 22.53% to SAR 586.92 million in the second quarter of 2023, a 51.34% increase year-on-year.

## Foreign Investor Ownership\* - Q2 2023 Overview

**375.89 Billion (+8.35%) ↑**  
Main Market Holding Value (SAR)

**586.92 Million (+22.53%) ↑**  
Nomu - Parallel Market Holding Value (SAR)

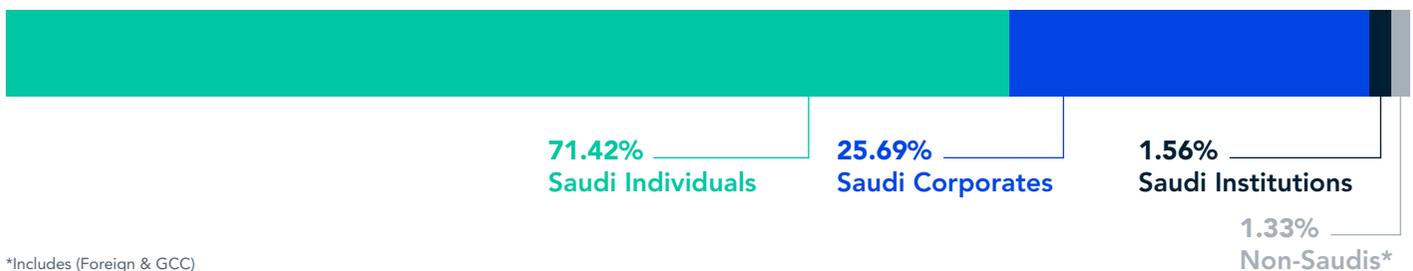
\*Includes SWAP Holders, Foreign Residents & Others, QFIs, Foreign DPMs and Foreign Strategic Investors

## OWNERSHIP BY INVESTOR TYPE Q2 2023 (MAIN MARKET)



\*Excluding GREs \*\*Includes (Foreign & GCC)

## OWNERSHIP BY INVESTOR TYPE Q2 2023 (NOMU-PARALLEL MARKET)



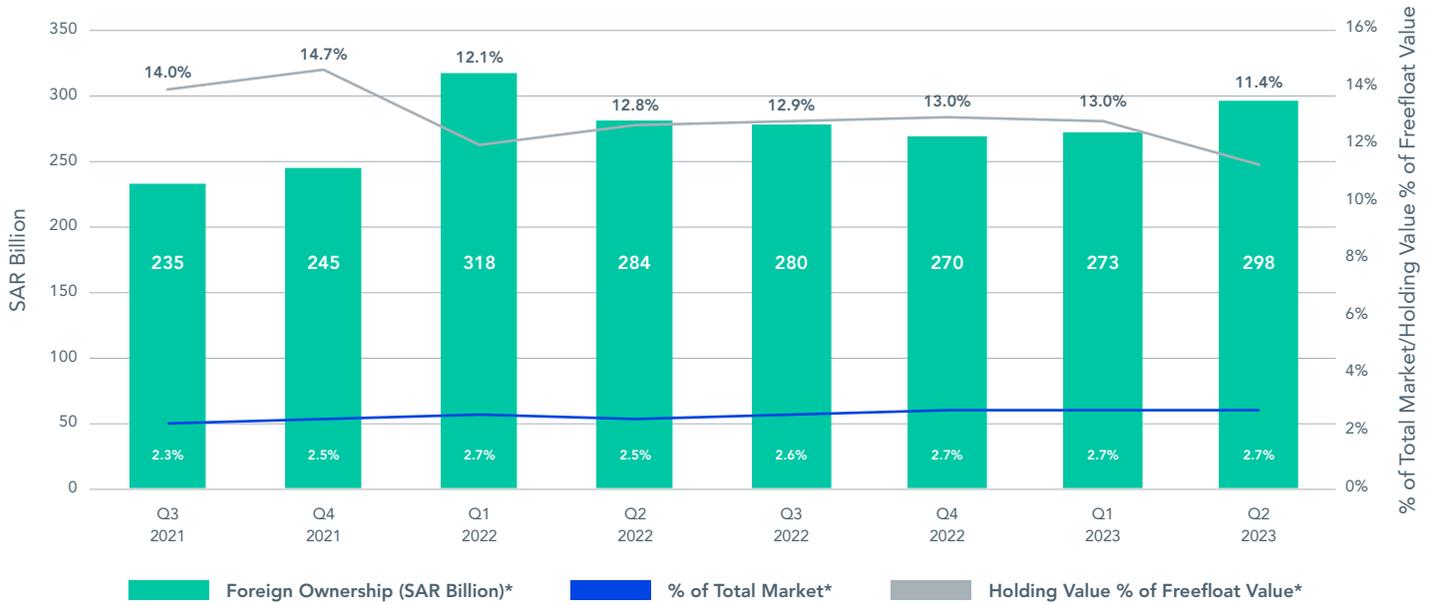
\*Includes (Foreign & GCC)

QFIs continue to play an important role on the Saudi Exchange. By the end of the second quarter of 2023, their holdings in Saudi-listed firms stood at SAR 298 billion. The percent of the total market that QFIs represent continued to hold steady at 2.73% at the end of the second quarter of 2023.



# Ownership

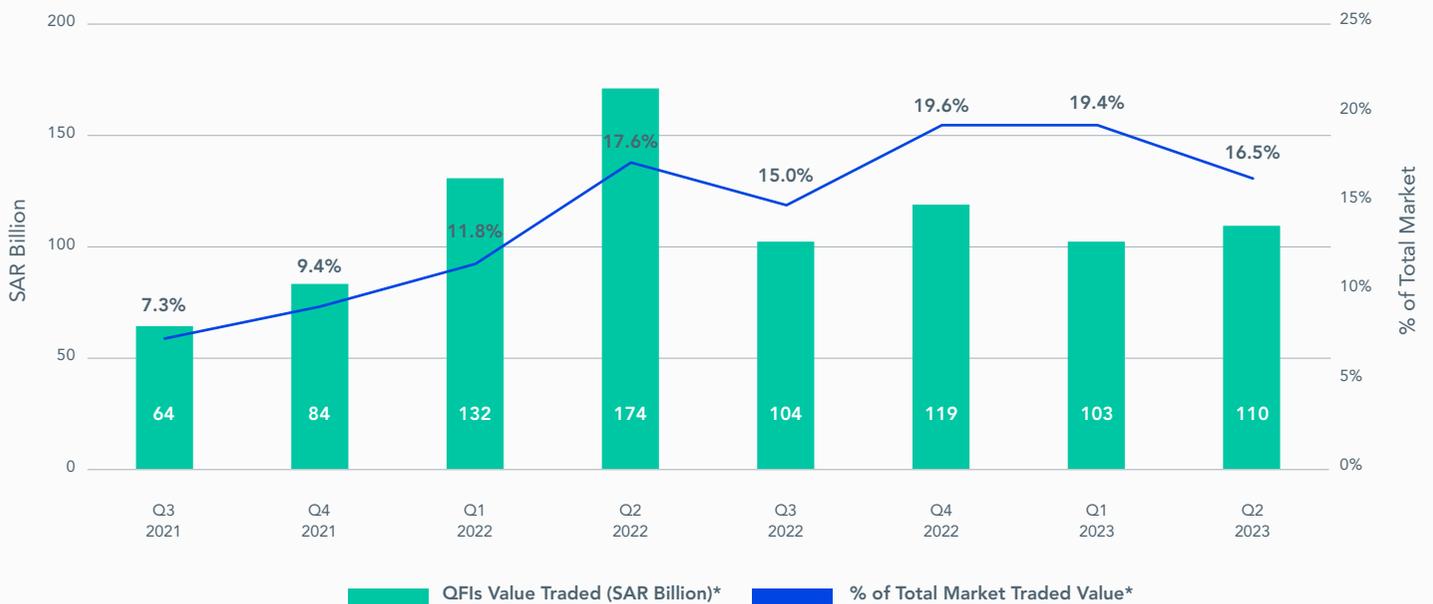
## QFI OWNERSHIP (BILLION SAR)



\* As at the end of the quarter

In the second quarter of 2023, value traded by QFIs rose to SAR 110 billion from SAR 103 billion in the previous quarter.

## QFI TRADING VALUE - MAIN MARKET ONLY (BILLION SAR)



\* As at the end of the quarter

