

A brief on Money & Investments (2)

political economy and Sovereign wealth Funds of the Middle East & Africa

Saudi Public Investment Fund (PIF)

As of early 2022, the Saudi fund had \$608 billion of assets under management (AUM) of which 23 percent were in international investments. The fund had a successful 2021 year with 25% investment returns, a 27% increase from 2020.

In August, the Saudi oil-rich fund known as the Saudi public investment fund (PIF) increased its investment exposure in the US technology sector by \$7 billion.

The fund bought significant shares in 17 reputable and stable American companies, such as 213,000 shares at \$464 million with Google Alphabet, 4.7 million shares worth \$507 million with zoom, and 1.8 million shares with Microsoft worth \$474 million. Facebook, PayPal, and Amazon were on the list. A Large investment was also made in the world's largest real estate investment company BlackRock which has assets under management worth over \$10 trillion.

In the food and Beverage sector, the fund has committed over \$300 million to grow its coffee market by creating the Saudi Coffee Co. The fund is negotiating with American Starbucks to acquire a large percentage of its Alshaya Group and access Starbucks' 1700 stores.

By choosing to invest billions of dollars in America's top 100 companies, the Saudi fund, with its chairman, crown prince Mohamed bin Salman, is not only securing an opportunity to invest in some of the world's best companies but solidifying the kingdom's political clout and access in America's capital.

In the last three years, the Saudi Fund has been very aggressive but cautious in its plan to meet the Saudi 2030 vision of doubling the fund's assets under management to or close to \$1.1 trillion

For the last few years and to the year 2025, the fund committed to spending \$40 billion annually to develop and diversify the Saudi economy with less dependence on oil revenues and thus far has succeeded in creating over 330,000 jobs within the kingdom.

With high approval ratings from the majority of young Saudis, and for the last few years, the young, ambitious prince has taken a hands-on approach to modernizing his kingdom socially, economically, and politically and it seems to be working.

U.S. Economy

According to experts, the U.S. dollar will continue its strength against the Japanese yen (which lost 24% against the dollar), the euro (which lost 13% against the dollar), and the Chinese yuan (which lost 10% against the dollar this year). The U.S. Dollar index has climbed to a 20-year high and gained 14% this year. The U.S. Federal Reserve has raised interest rates five times this year and will continue to raise interest rates to slow down the economy and control inflation.

Investment Bank Goldman Sachs cuts its GDP prediction for the U.S. economy for 2023 from 1.5% down to 1.1% with higher unemployment rates. Goldman predicts that unemployment will be at 3.7% instead of 3.6% by the end of 2022 and rise to 4.1% by 2023 instead of the previous one at 3.8%.

Global Economy

According to Fitch, a financial group, world GDP will grow by 2.4% in 2022 and just 1.7% in 2023. The eurozone and UK are to enter recession by year-end, and the US to suffer a mild recession in mid-2023. Due to COVID restrictions, China's recovery to slow to 2.8% this year and recover to only 4.5% next year.

The International Monetary Fund has a similarly dim view of the global economy. They expect World consumer prices to rise to 8.3% this year and 5.7% in 2023. The IMF recently announced that due to high inflation, weak supply chain problems, and weak financial markets, they predict global growth to be at 2.9%, with a high possibility of a recession hitting many parts of the world, especially emerging markets and developing countries.

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