

Global Investment Anxiety and the Resilience of Petrodollars

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Escalating global financial and macroeconomic uncertainty has made both buyers and sellers significantly more cautious in dealmaking. According to data provider Refinitiv, global cross-border transactions dropped sharply in 2022 to \$3.56 trillion, down from a historic peak of \$5.7 trillion in 2021. Shifting global geopolitics, persistent inflation, aggressive interest rate hikes, and numerous military conflicts all contributed to intense investment anxiety during the second half of 2022.

Data from FDI Intelligence reveals that by the end of 2022, the number of cross-border deals had fallen by 21.3% in North America, 8.6% in Europe, and 14.4% in Asia. In stark contrast, Gulf Cooperation Council (GCC) sovereign wealth funds remained exceptionally active. Industry specialist firm Global SWF noted that five of the ten most active global investors in 2022 were from the Gulf region, collectively deploying over \$50 billion across a highly diverse mix of industries and geographies—marking their highest investment level since 2018. Saudi Arabia, the UAE, and Qatar led this charge, empowered by massive oil revenue injections throughout 2021 and 2022.

Naturally, these billions were not immune to the severe market disruptions shaking U.S. and European financial centers. Most Gulf funds experienced notable corrections on their overall balance sheets due to their Western market exposure. However, they recovered much faster than international, non-oil-backed funds because of continuous domestic oil revenue inflows. From a foreign policy perspective, the immense political clout and lobbying power these petrodollars command are well worth the short-term financial volatility.

The Sovereign Fund of Egypt (TSFE): Capitalizing on Scale

Egypt's greatest structural asset is its massive domestic market of 110 million people, alongside a large pool of educated, highly skilled workers across diverse industries that foreign investors find increasingly attractive. Through the Sovereign Fund of Egypt (TSFE), the government has executed several key strategic initiatives:

- **Fintech and Microfinance:** In alignment with Egypt's Vision 2030 and in cooperation with Etisalat Misr, the TSFE launched Erada, a microfinance project designed to support small startups and provide employment for youth in



the fintech and digital transformation sectors. To date, over 3.8 million individuals and enterprises have benefited, with more than \$1 billion disbursed.

- **Healthcare and Pharmaceuticals:** The TSFE acquired a 20% stake in the Egyptian-owned private equity firm B Investments. Close to 2 billion Egyptian pounds have been committed to a new healthcare and pharmaceuticals sub-fund, aimed at attracting Gulf institutional investors as core financial partners. The sub-fund's initial deployments focused on the Egyptian Center for IVF and the broader reproductive health sector.
- **Logistics and Infrastructure:** The TSFE is in active discussions with Abu Dhabi's developmental holding company, ADQ, for the joint development and operation of Port Tawfiq in the strategic Suez area.
- **Green Desalination:** The fund is engaged in ongoing negotiations with the Saudi Public Investment Fund (PIF), the Abu Dhabi Investment Authority (ADIA), and the Qatar Investment Authority (QIA) to invest in Egypt's new renewable-energy-powered water desalination plants. The landmark deal is valued at an estimated \$3 billion, with the TSFE maintaining fractional ownership.
- **Global Asset Management:** During the 2023 World Economic Forum, TSFE Chairwoman Hala El-Said met with leadership from BlackRock, the world's largest asset management firm, to discuss future pipeline investments in green energy projects across Egypt.

For geopolitical reasons and to safeguard regional economic stability, Gulf funds will undoubtedly continue to channel capital into the Egyptian economy. These strategic projects are specifically designed to benefit a large cross-section of the population by providing sustainable, well-paying jobs, directly addressing the country's pressing issues of income and social inequality.

The Saudi Public Investment Fund (PIF): 2023 Momentum

In its continuous effort to meet the Vision 2030 goals of diversifying and modernizing the Kingdom, the fund started 2023 with the same momentum, drive, and investment commitment seen in 2022, deploying capital investments across many regions and industries.

In 2023, with abundant cash reserves and a large pool of highly educated Saudis and international consultants, we are seeing a more balanced capital allocation strategy, dividing cash injections between the Kingdom, the wider region, and Western markets like Europe and the United States. The Saudis are expected to continue their push to modernize their economy and upgrade the Kingdom's infrastructure to meet

futuristic demands. This will involve an intensified commitment to building state-of-the-art new cities, as well as industrial and technological hubs, which will provide much-needed, high-income jobs for young Saudis.

Strategic Alliances and Global Acquisitions

Key transactions and announcements driving the PIF's portfolio include:

- **Strategic Resource Acquisition:** The PIF announced a joint venture with the Saudi mining giant Ma'aden worth \$50 million for a 49% ownership stake, with the mandate to scale capital up to \$3 billion. The primary objective is to secure the critical strategic metals required for domestic manufacturing, including iron ore, copper, nickel, and lithium.
- **Global Mining Alliances:** In tandem with these initiatives, Ma'aden entered into a partnership agreement with the U.S.-based minerals exploration company Ivanhoe Electric, acquiring a 9.9% stake for \$126 million. Additionally, Ma'aden signed a joint venture agreement with Canada's Barrick Gold to explore mineral deposits across the Jabal Sayid and Um Ad Damar regions.
- **International Media and Gaming:** The PIF deployed \$465 million into the South Korean entertainment giant Kakao Corporation. Furthermore, the fund expanded its equity stake in Japan-based gaming pioneer Nintendo to 8.1%, while continuing to build major positions in other global gaming leaders, including Capcom, Activision Blizzard, and Electronic Arts.
- **Green Finance Leadership:** The PIF successfully raised \$5.5 billion from its second green bond issuance to finance eco-friendly projects across the Kingdom. The debt offering generated overwhelming demand from prominent global institutional investors.
- **The New Murabba Giga-Project:** PIF Chairman Crown Prince Mohammed bin Salman announced the launch of the New Murabba project, a state-of-the-art urban development outside Riyadh designed to rank among the world's top ten most livable cities. The mega-project is slated to host an international university, over 9,000 hotel rooms, an innovative technology lab, an opera house, theaters, and world-class museums. The development is expected to generate over 300,000 jobs, though the total projected cost and a definitive completion timeline have not been publicly disclosed.
- **PIF** raised \$5.5 billion from its second green bond issuance to finance green projects in the kingdom. The bond issuance was a target of strong interest from many global institutional investors.



- **PIF** chairman, crown prince Mohamed bin Salman, announces the launching of a new state-of-the-art Murabba outside of Riyadh to be in the world's top 10 most livable cities. The city is projected to have an international university, over 9000 hotel rooms, an innovative technology lab, an opera house, theaters, and museums. Over 300,000 jobs are expected to be created from the project. Total cost and timely completion were not announced.