



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

Weekly Market Brief
Week Ending January 1st, 2021

SAUDI ARABIAN MARKET

Saudi Arabia Macroeconomic Developments

- Saudi Arabia announced the resumption of international flights and the reopening of land and sea borders, effective January 3. Non-Saudi citizens arriving from countries where the COVID-19 variant strain has been detected will still face travel restrictions.
- The Saudi economy grew 1.8 percent in Q3 2020 relative to the previous quarter but remains down 4.6 percent YoY. The General Authority for Statistics' (GASat) full GDP report showed the leading sectors QoQ were wholesale & retail trade (+19.7 percent), community and social services (+11.5 percent), agriculture & fishing (+11.5 percent), and transportation & storage (+8.7 percent). Petroleum refining (-18.4 percent) and petroleum crude & natural gas (-7.3 percent) saw the steepest sectoral declines in Q3.
- Saudi Arabia's imports of U.S. goods rose 3.8 percent during October to reach SAR4.1 billion (\$1.1 billion). Saudi exports to the U.S. meanwhile declined 21.6 percent during October as U.S. demand for foreign oil remained low. China remains Saudi Arabia's top trading partner while the U.S. remains a top 10 export market for the Kingdom and the second largest source of Saudi imports.
- Saudi exports totaled SAR57.8 billion (\$15.4 billion) during October, rising 8.7 percent MoM as oil demand in East Asia picked up at the start of Q4. Total Saudi exports remain down 25 percent from the same period last year. Saudi imports meanwhile rose 2.2 percent MoM in October to reach SAR41.4 billion (\$11 billion). Imports are down 17 percent from the same period last year.
- Saudi non-oil exports rose 3.7 percent MoM in October to reach SAR18.9 billion (\$5 billion), just 0.3 percent below last year's levels. Oil exports meanwhile remain down by a third compared to last year. Saudi Arabia's top non-oil exports, plastics and chemicals, remain down 39 percent YoY and 11 percent YoY respectively. The top growing non-oil exports sectors on a yearly basis were precious or semi-precious metals (+148 percent), optical/medical/measuring equipment (+25 percent), textiles (+20 percent), and prepared foodstuffs (+9 percent).



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

- Retail mortgage loans in Saudi Arabia surged 79 percent YoY in November according to recent data from the Saudi Central Bank (SAMA). New retail mortgages by value reached SAR15.3 billion (\$4.1 billion) in November compared to SAR9.7 billion (\$2.6 billion) at the start of the year.
- Saudi Arabia's foreign reserves increased 2.3 percent in November from the prior month, totaling SAR1.71 billion (\$457 billion). The Kingdom increased its investments in foreign securities, foreign currency holdings, and special drawing rights (SDR) with the IMF. Saudi foreign reserves reached the highest level since April when the government drew down more than SAR100 billion (\$27 billion) to fund economic relief measures and PIF investments.

Tadawul

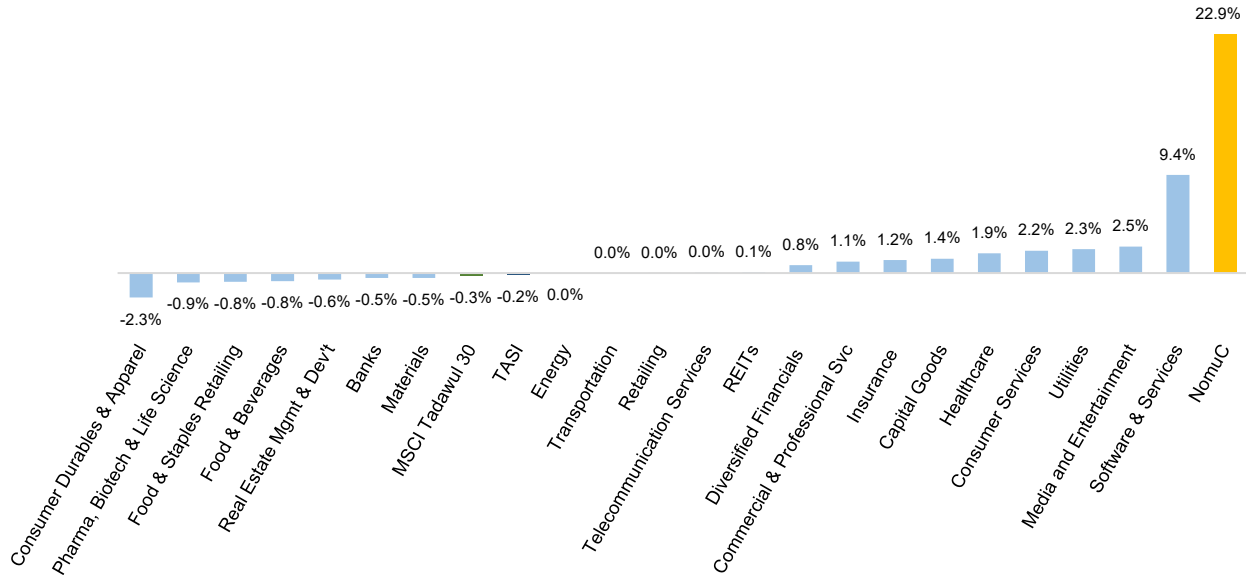
The TASI fell a marginal 0.2 percent during the final trading week of the year to reach 8,689 points. Software & Services led with a 9.4 percent gain followed by Media and Entertainment and Utilities which rose 2.5 percent and 2.3 percent, respectively. Consumer Durables & Apparel declined 3.7 percent. The NomuC parallel market index meanwhile surged 22.9 percent while the MSCI Tadawul 30 rose 0.7 percent and finished the week at 1,161 points.

During 2020, the TASI rose 3.6 percent while the MSCI Tadawul 30 finished down 1.7 percent. The top equity sectors of the year were Software & Services (+182 percent), Consumer Durables & Apparel (+63 percent), Food & Staples Retailing (+58 percent), and Healthcare (+51 percent). The lagging sectors were Commercial & Professional Services (-14 percent) and Banks (-7 percent). Despite the global pandemic and downturn in energy markets, the TASI posted its fifth consecutive yearly increase and hit a 13-year high in 2020.



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

Tadawul Weekly Index Performance - January 1, 2021



Source: Tadawul, USSBC

The Saline Water Conversion Corp. (SWCC) announced plans for an initial public offering of the recently established Water Transmission and Technologies Co. (WTTCO). WTTCO was partly established to allow private sector companies to play an increasing role in the water transmission sector as part of a long-term privatization initiative.

Investment and Trade

- Saudi Arabia’s Advanced Petrochemicals Co. signed long-term offtake agreements for the sale of polypropylene with U.S. companies Vinmar International LLC and Tricon Dry Chemicals LCC for 250,000 metric ton per annum (mtpa) and Japan’s Mitsubishi Corporation for 120,000 mtpa.
- The Public Investment Fund (PIF) announced the launch of Security Services Company (SAFE) for the purpose of developing the private security sector in Saudi Arabia. SAFE will focus on security consulting services, integrated security solutions, training and development programs, and command and control centers.



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

- PIF-owned Roshn announced partnerships with Siemens and Shapoorji Pallonji Mideast for the first phase of its Riyadh community development project. Siemens will provide engineering and construction services for 26km of underground cabling while Shapoorji Pallonji Mideast will construct 3,000 homes.
- California-based Lucid Motors will begin full production of its first luxury electric vehicles in Spring 2021 and plans to pursue retail sales outlets in Saudi Arabia for its first fleet of vehicles. PIF invested SAR3.8 billion (\$1 billion) in Lucid Motors in September 2018.
- Saudi Arabian Military Industries (SAMI) announced it would acquire Advanced Electronics Company (AEC) in a move that would consolidate the local defense electronics market. Pending regulatory approval, the deal would represent the largest military industry deal of its kind in Saudi Arabia.
- Saudi Telecom Company (stc) announced a SAR1 billion (\$267 million) investment for the launch of three data centers in Riyadh, Jeddah, and Madinah to develop its cloud infrastructure and enable greater access and speed for consumers.
- Ma'aden signed a deal with Bangladesh's state-owned agricultural imports management company, BADC, for the supply of phosphate fertilizer throughout 2021. Ma'aden aims to reach a production capacity of 9 million tons of phosphate fertilizer per year and continue to build its international exporting capacity.
- Saudi Investment Bank (SAIB) signed a banking agency agreement with Virgin Mobile Saudi Arabia after receiving approval from the Saudi Central Bank (SAMA). The agreement would enable SAIB to launch international remittance services through joint channels with Virgin Mobile.

Banking

Weekly money supply M1, M2, and M3 fell 0.8 percent, 0.8 percent, and 0.7 percent, respectively during the week ending December 24.



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

U.S. MARKETS

U.S. Macroeconomic Developments

- The U.S. passed a new \$900 billion coronavirus relief bill, the second largest stimulus legislation in U.S. history after the \$2 trillion CARES Act passed eight months ago. The new package includes \$600 checks to individuals, enhanced federal unemployment benefits, funding for the Paycheck Protection Program, and other provisions targeting American businesses hurt by the pandemic.
- U.S. manufacturing PMI rose to 57.1 in December from 56.7 in November, indicating some of the strongest factory growth in the past five years. Production and order books continued to grow, though the rate of expansion slowed due to virus-related restrictions in some states. Continued strong demand reported by machinery and equipment producers suggests companies are increasing capital spending. Producers of consumer goods meanwhile reported weaker expenditures.
- The number of Americans filing for unemployment benefits decreased to 787k during the week ending December 26, continuing a gradual downward trend that was interrupted by three-month highs in early December. The number of individuals filing for Pandemic Unemployment Assistance (PUA) also fell to 308k (-89k) compared to the previous week.
- Construction spending rose 0.9 percent in November amid a surge in demand for new homes. Spending on new home construction climbed 2.6 percent and has risen 16.2 percent over the course of the year. Outlays on both commercial and government construction meanwhile fell 0.6 percent.

Fixed Income

The yield on the ten-year U.S. Treasury decreased this week to 0.93 percent.

Equity Markets

The Dow Jones Industrial Average rose 1.4 percent and finished at 30,607 points. The S&P 500 also gained 1.4 percent and finished at 3,756 points while the NASDAQ rose 0.7 percent and closed at 12,888 points.



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

On a monthly basis, DJIA and S&P both gained 2.6 percent while the NASDAQ gained 4.3 percent. Over the course of 2020, DJIA rose 6 percent, the S&P rose 15.3 percent, and the NASDAQ rose 41.8 percent.

GLOBAL MARKETS

- Arab light crude rose 0.3 percent last week and closed at \$50.62 per barrel. Global benchmark Brent crude gained 1 percent and finished the week at \$51.80 while West Texas Intermediate (WTI) rose 0.6 percent and closed the week at \$48.52. Continued vaccine rollout, a drawdown in U.S. crude stocks, and a reported rebound in Chinese crude imports continue to provide a healthier shape to global energy markets. OPEC+ will consider whether to add further supply to the oil market in February at its meeting this Monday.
- Japan's manufacturing PMI reached 50 in December after 19 consecutive months below the 50-point mark. The world's third largest economy saw a stabilization in its manufacturing sector as employment levels rose for the first time since February and the pace of output and new order decline was the softest since mid-2019. Businesses reported increased optimism amid vaccine distributions news.
- China's manufacturing sector continued to expand in December, though the pace slowed to a three-month low. Caixin-Markit PMI registered at 53 in December compared to 54.9 in November. Chinese firms signaled continued expansion of new work and production output but at a slower pace while employment levels stagnated. China's official manufacturing PMI, which focuses more on large state-owned companies than the private Caixin-Markit survey, also declined from 52.1 to 51.9 in December.

THE WEEK AHEAD

- IHS Markit releases Saudi Arabia PMI report on January 5
- U.S. releases December employment report on January 8
- Saudi Arabia releases Q3 labor market report on January 10