



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

Weekly Market Brief
Week Ending January 8th, 2021

SAUDI ARABIAN MARKET

Saudi Arabia Macroeconomic Developments

- Saudi Arabia will fully reopen all air, land, and seaports for international travel on March 31, according to the Ministry of Interior. The government implemented an international travel suspension on December 21 aimed at containing a new strain of COVID-19 before partially lifting some restrictions on January 3.
- Saudi Arabia unilaterally decided to reduce its output by 1 million barrels per day through February and March while the rest of the OPEC+ alliance agreed to maintain its previously agreed January levels of production through the same period. However, Russia and Kazakhstan will be permitted to raise production by 150,000 bpd through the end of March.
- Saudi Arabia's non-oil private sector saw the strongest improvement in business conditions in 13 months in December. IHS Markit's Saudi PMI rose to 57 points last month from 54.7 points in November as the Kingdom registered marked increases in output and new orders. Sales growth was largely driven by domestic growth as export demand rose only modestly. Employment levels were the only drag on PMI with the labor market remaining in contraction.
- The Ministry of Commerce will now allow non-Saudi citizens to work as managers of Saudi-owned companies, revoking a restriction put in place in 2005.
- Gulf leaders met in Saudi Arabia to sign the Al Ula Declaration, restoring full diplomatic relations, including international trade and travel, between GCC countries and Qatar.

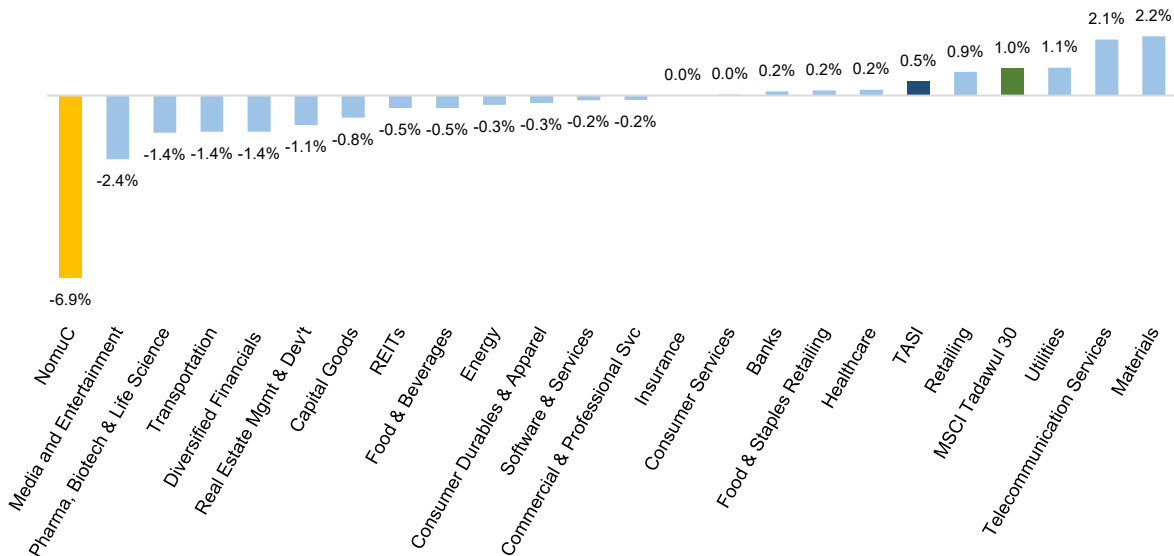


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Tadawul

The TASI rose 0.5 percent to reach 8,737 points. Materials led with a 2.2 percent gain followed by Telecommunication Services and Utilities which rose 2.1 percent and 1.1 percent, respectively. Media & Entertainment declined 2.4 percent and the NomuC parallel market index fell 6.8 percent. The MSCI Tadawul 30 rose 1 percent and finished the week at 1,174 points.

Tadawul Weekly Index Performance - January 8, 2021



Source: Tadawul, USSBC

Investment and Trade

- NEOM announced The Line, a massive linear urban development project that aims to create 380,000 jobs and contribute SAR180 billion (\$48 billion) to GDP by 2030. The project involves massive landscaping, infrastructure, and transit works with construction set to commence in the first quarter of 2021.
- Saudi Arabia's mining investment law entered into effect on January 1. The new law establishes a mining fund, financial incentives for investors, streamlined licensing procedures for site exploration and utilization, and numerous other regulations. The Kingdom's plans for the mining sector are covered in [USSBC's Mining Report](#).



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- Miami-based Russkap Holdings signed an agreement with Saudi company Power Equipment and Materials Co. to distribute its patented atmospheric water generation machines within Saudi Arabia.
- The U.S. State Department approved the potential sale of precision-guided munitions to Saudi Arabia in a deal valued up to SAR1.1 billion (\$290 million). The package includes 3,000 GBU-39 small diameter bomb I (SDB I) munitions, containers, and support equipment.
- The Ministry of Culture granted licenses for two music colleges in Saudi Arabia and is currently seeking private and non-profit participation for institutes in various cultural fields from Saudi and international artists, creators, and researchers.
- Saudi Aramco awarded SNC-Lavalin Fayez Engineering a SAR41.3 million (\$11 million) front-end engineering and design contract to build refrigeration units and storage tanks at Juaymah natural gas liquids fractionation plant in the Eastern Province. Aramco will seek to expand its propane and butane export capacities by 100,000 bpd each through the project.
- ACWA Power signed a SAR469 million (\$125 million) five-year financing deal with Arab Petroleum Investment Corporation (APICORP) to finance investments in a pipeline of future projects of which 15 percent will constitute green technology investments.
- The Saudi Central Bank (SAMA) granted a license for a consumer micro-financing platform, Tamam, to operate in the Kingdom. The launch of Tamam marks the first company in Saudi Arabia to be authorized by a regulator to offer microloans to consumers via a mobile app.
- The Red Sea Development Company (TRSDC) appointed Ireland's DAA International as the operator of the Red Sea international airport. DAA International has operated Terminal 5 at King Khalid International Airport in Riyadh since 2016.

Banking

Weekly money supply M1 fell 1.38 percent while M2 and M3 fell 0.33 percent and 0.23 percent respectively during the week ending December 31.

U.S. MARKETS



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U.S. Macroeconomic Developments

- The U.S. economy lost 140k jobs in December, marking the first labor market contraction since April. The leisure and hospitality sector shed 498k jobs in December while professional and business services (+161k), construction (+51k), and manufacturing (+38k) sectors all added jobs.
- U.S. imports rose 2.9 percent while exports rose 1.2 percent in November, widening the trade deficit to \$68.1 billion. Consumer goods imports surged for the second consecutive month while capital goods imports also rose for the sixth consecutive month. U.S. imports stand 8 percent ahead of their pre-pandemic levels.
- Service sector PMI fell to 54.8 in December from 58.4 in November, as growth lost momentum amid social distancing and operational restrictions in some U.S. states. Business confidence also slipped though exports rose, and new orders came in higher than anticipated. Service exports are still 24 percent below pre-pandemic levels. The index was also boosted by rising input costs for small businesses, a mixed signal amid an uneven economic recovery.
- Manufacturing PMI rose to 57.1 in December from 56.7 in November, signaling the fastest pace of improvement for the private sector economy since September 2014. Manufacturers reported production and new orders continued to grow in the final month of the year and outlook remains highly positive.

Fixed Income

The yield on the ten-year U.S. Treasury rose this week to 1.13 percent, finishing above 1 percent for the first time since March 2020.

Equity Markets

The Dow Jones Industrial Average rose 1.6 percent and finished at 31,098 points. The S&P 500 also gained 1.8 percent and finished at 3,825 points while the NASDAQ rose 2.4 percent and closed at 13,202 points.

GLOBAL MARKETS



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- Arab light crude jumped 9.1 percent last week and closed at \$55.20 per barrel on the news of Saudi Arabia's surprise decision to cut 1 million bpd from the global oil supply during February and March. Global benchmark Brent crude gained 8.1 percent and finished the week at \$55.99 while West Texas Intermediate (WTI) rose 7.7 percent and closed the week at \$52.24. OPEC+ held steady with its previously agreed 500,000 bpd increase in January to be extended for two additional months, but prices soared following the Kingdom's announcement that it would cut 10 percent of its supply through the end of Q1.
- The UAE private sector economy returned to a modest growth footing in December as PMI rose to 51.2 compared to 49.5 in November. Output levels returned to growth territory and new business gains drove PMI to its highest level in 16 months. The jobs market continued to weigh negatively on the index as the rate of job losses quickened in December. The 12-month outlook indicator picked up only slightly despite vaccine developments with most companies expecting business activity to remain flat in 2021.
- The Eurozone private sector economy remained in contraction territory in the final month of 2020, though PMI rose from 45.3 in November to 49.1 in December. Ireland (53.4) and Germany (52) returned to growth despite the strain on the service sector while France (49.5), Spain (48.7), and Italy (43) registered declines in business activity. However, the rate of decline eased considerably in France and Spain, hitting 4 and 5-month PMI highs, respectively. The 12-month business outlook in the Eurozone improved significantly from the prior month amid confidence in the ongoing vaccination campaign.

THE WEEK AHEAD

- Saudi Arabia releases consumer and producer prices for December on January 14
- U.S. releases retail sales for December on January 15
- Saudi Arabia releases labor market statistics for Q3 on January 17