



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

Weekly Market Brief
Week Ending October 30th, 2020

SAUDI ARABIAN MARKET

Saudi Arabia Macroeconomic Developments

- Saudi Arabia's government revenues were up 4 percent in Q3 compared to the same period last year as increased non-oil revenue derived from higher value-added tax (VAT) compensated for lower oil revenues. Oil revenue declined 30 percent YoY in Q3, totaling SAR93 billion (\$25 billion), while taxes on goods and services increased 37 percent to reach SAR52 billion (\$14 billion). Non-oil revenues were up 63 percent to reach SAR123 billion (\$33 billion).
- Saudi Arabia's government expenditures increased 7 percent YoY in Q3, driven by a 215 percent increase in subsidies stemming from government actions to stabilize business operations and employment levels following pandemic-related lockdowns. 'Economic Resources', which includes desalination infrastructure, environmental and agricultural projects, and tourism development declined 38 percent YoY.
- Saudi Arabia posted a budget deficit of SAR41 billion (\$11 billion) in Q3, down from SAR109 billion (\$29 billion) recorded in Q2. The Kingdom's debt issuances in Q3 totaled SAR43 billion (\$12 billion) with domestic sukuk issuances accounting for 97 percent of financing. The government also drew SAR1.3 billion (\$355 million) from its reserves in Q3. During the first nine months of 2020, the Saudi government issued SAR187 billion (\$50 billion) in debt of which 45 percent came from domestic borrowing, 24 percent from foreign borrowing, and 27 percent from government reserves.
- Saudi Arabia's banking sector balance sheet grew 15 percent YoY in September, marking a SAR373 billion (\$100 billion) increase. Sectors with the highest loan growth in Q3 were utilities & health services (+23 percent), government & quasi-government (+18 percent), services (+17 percent), and finance (+11 percent) compared to the same period last year.
- Saudi Arabia recorded an additional 27,390 new residential mortgage contracts in September worth SAR13 billion (\$3.5 billion) as this year's surge in home-buying continues. The latest data from the Saudi Arabian Monetary Authority shows Q3 mortgage lending was the highest on record, totaling SAR34 billion (\$9 billion) across more than 73,000 contracts.



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- Saudi Arabia's total reserve assets decreased 1 percent in September to reach SAR1.68 trillion (\$448 billion). The Kingdom lowered its holdings of foreign currency and deposits abroad by 9 percent while increasing investments in foreign securities by 3 percent. Total reserves are down 11 percent YoY in September after the government tapped SAR183 billion (\$49 billion) during March and April to support the economy.
- Saudi Arabia's seaborne crude exports for the week through November 1 declined 4.2 million barrels to reach 44.1 million barrels total. Weekly volumes to China and Japan were lower while India and South Korea deliveries picked up. No volumes of Saudi crude were shipped to the U.S. or northwest Europe, according to Refinitiv Oil Research.
- Saudi Arabia closed its two-tranche, riyal-denominated sukuk issuance at SAR270 million for October 2020. The first tranche is SAR235 million (\$62.7 million) and matures in 2027 while the second tranche is SAR35 million (\$9.3 million) and matures in 2032.

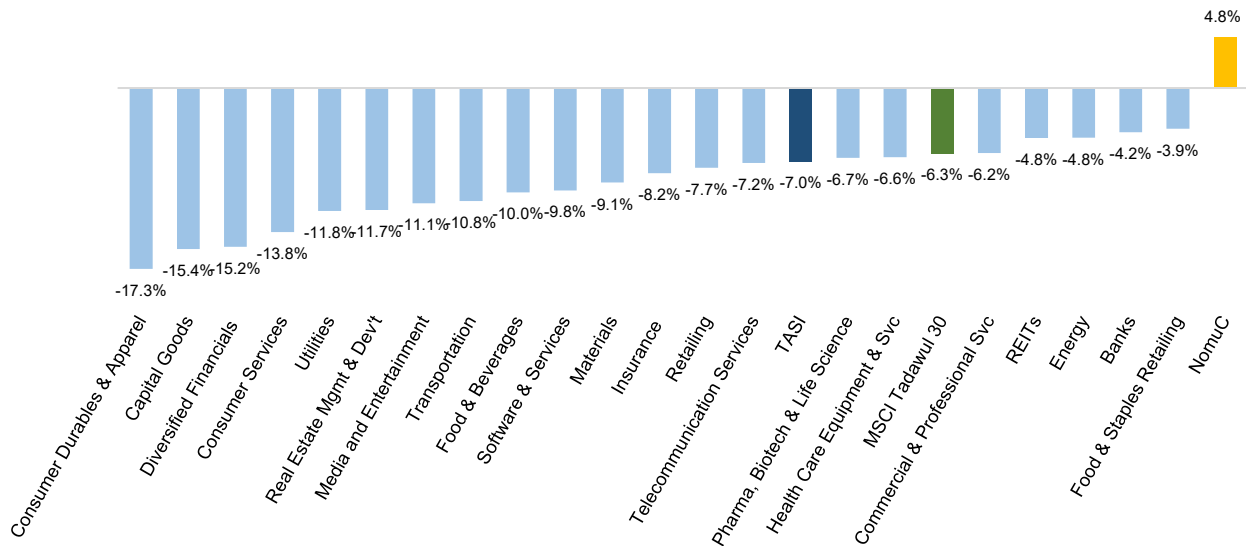


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Tadawul

The TASI fell 7 percent this week to reach 7,907 points, reflecting growing uncertainty about future global economic conditions as COVID-19 cases have surged internationally. ‘Consumer Durables & Apparel’ led the week’s selloff with a 17.3 percent decline. ‘Food & Staples Retailing’ lost 3.9 percent, followed by ‘Banks’ and ‘Energy,’ which declined 4.2 percent and 4.8 percent, respectively. The NomuC parallel market bucked the week’s trend with National Building and Marketing Co’s 34 percent share price gain leading the index to a 4.8 percent gain. The MSCI Tadawul 30 meanwhile dropped 6.3 percent and finished the week at 1,062 points.

Tadawul Weekly Index Performance - October 30, 2020

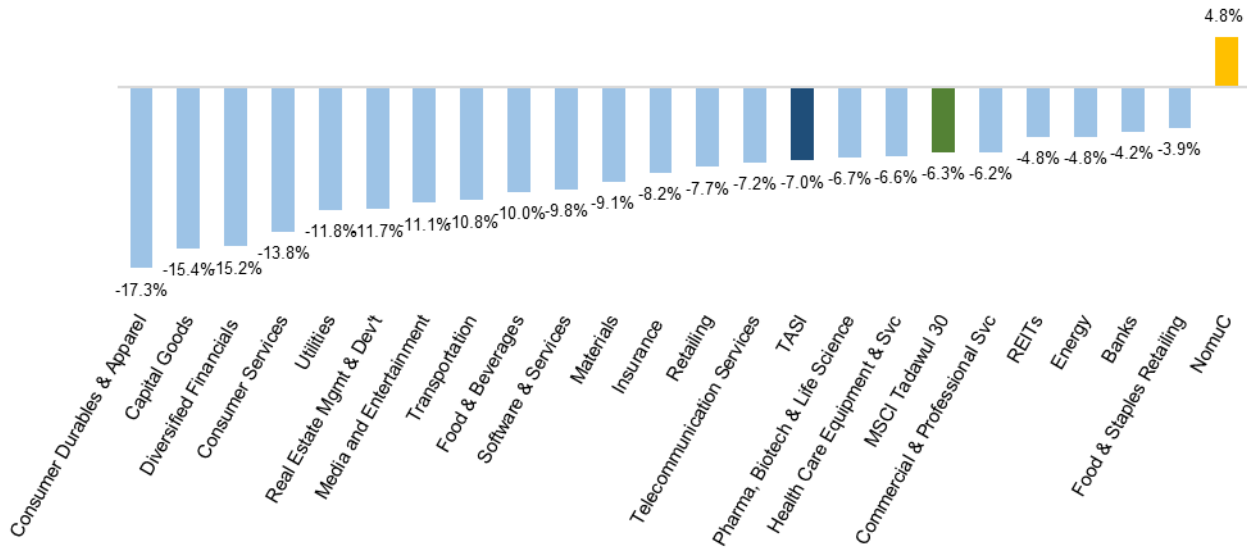


Source: Tadawul, USSBC



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Tadawul Weekly Index Performance - October 30, 2020



Source: Tadawul, USSBC

Riyadh-based restaurant chain Burgerizzr announced it would arrange an initial public offering (IPO) on the Nomu, selecting Emirates NBD Capital Saudi Arabia as its financial advisor. Burgerizzr operates 76 branches across 12 Saudi cities.

Investment and Trade

- The Tourism Development Fund (TDF) signed agreements with Fakieh Group to establish two major tourism projects in Taif and Jeddah. The Taif project comprises a resort, five-star hotel, restaurants and entertainment areas while the Jeddah project will see the development of a beachfront resort on Al-Nawras Island near the Jeddah Corniche. The TDF was established in June of this year with an initial capital of \$4 billion and recently signed several agreements with local commercial banks to finance the development of Saudi Arabia’s tourism industry.



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- Atkins, a subsidiary of SNC-Lavalin, was awarded the lead design consultant services contract from Qiddiya Investment Company (QIC) for the Six Flags Qiddiya project. The three-year contract includes integrated construction supervision and cost management services within the project area and the development of sustainability and environmental assessment standards.
- Swiss company Schindler Group signed an agreement with Riyadh Airports Company (RAC) to install comprehensive escalator and movement systems at King Khalid International Airport. RAC is part of Saudi Arabia's aviation sector privatization program.
- Zamil Air Conditioners Co, subsidiary of Zamil Industrial Investment Company, signed an agreement with the Local Content & Government Procurement Authority to identify local manufacturing opportunities in HVAC materials and services and to increase the proportion of local content in its current production portfolio.

Banking

Weekly money supply M1, M2, and M3 rose 1.3 percent, 0.3 percent, and 0.4 percent, respectively.

U.S. MARKETS

U.S. Macroeconomic Developments

- U.S. GDP grew at a 33.1 percent annualized growth rate in Q3 as the economy bounced back from pandemic lockdowns in Q2. Real GDP remains 3.5 percent below its peak in Q4 2019. A historic 41 percent jump in personal consumption expenditures reflects the reopening of the economy earlier in the year. Spending on durable goods jumped 82 percent and spending on both durable and non-durable goods both surpassed their pre-COVID levels. Real spending on services remains 8 percent below its Q4 2019 level.



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- New home sales fell 3.5 percent in September to reach a 959,000-unit pace, missing expectations of a continuation of last month's 3 percent gain. Housing data still suggests strong demand is expected to continue in coming months as new home sales tend to be volatile and large revisions are not uncommon. Builders remained upbeat and new home sales are running 17 percent ahead of last year's pace.
- Consumer confidence fell a half-point to 100.9 in October as rising virus counts and slowing momentum in the labor market provided headwinds. The October survey does not capture the accelerated spike in COVID cases occurring in the second half of the month. Some signs of improvement were evident as the proportion reporting plentiful job opportunities improved and reached the highest post-COVID level.
- Initial weekly jobless claims fell to 751,000 last week, reaching the lowest level since mid-March as the labor market resumes a gradual improvement in new unemployment claims. Continuing claims, which includes those receiving unemployment benefits for two consecutive weeks, fell by 709,000 to reach 7.75 million.

Fixed Income

The yield on the ten-year U.S. Treasury increased this week to 0.88 percent.

Equity Markets

The Dow Jones Industrial Average (DJIA) dropped 6.5 percent and finished at 26,501.6 points as global coronavirus cases surged and several European countries implemented new nationwide lockdowns. The S&P 500 lost 5.6 percent and finished at 3,270 points while the NASDAQ fell 5.5 percent and closed at 10,911.6 points. During the month of October, the Dow Jones fell 4.7 percent, the S&P 500 fell 3.3 percent, and the NASDAQ lost 3.7 percent.

GLOBAL MARKETS

- Arab light crude fell 11.3 percent last week and closed at \$36.85 per barrel. Global benchmark Brent crude dropped 10.3 percent and finished the week at \$37.46 while West Texas Intermediate (WTI) fell 10.2 percent and closed the week at \$35.79 amid rising COVID-19 cases in the U.S., Europe, and Latin America. Oil and global equity markets



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fell sharply this week as concerns mounted over the economic impact of rising coronavirus infections. Europe's two largest economies announced new nationwide lockdowns as global COVID-19 cases rose by over 500,000 for the first time last week. During the month of October, Brent crude and WTI prices both fell 8 percent while Arab light crude prices fell 12 percent.

- The Eurozone economy grew 12.7 percent in Q3 compared to the previous quarter, beating expectations. This follows an 11.8 percent contraction in Q2, bringing Eurozone GDP 4 percent below pre-pandemic levels. France beat expectations by the largest margin (+18.2 percent) while Italy (+16.1 percent) and Spain (+16.7 percent) both saw large increases. The region's two largest economies, France and Germany, announced new nationwide lockdowns last week, putting pressure on Q4 growth prospects.
- China's factory activity expanded for the sixth consecutive month in October as business confidence reached the highest level in several years. The Caixin/Markit manufacturing PMI came in at 53.6 while China's official manufacturing PMI registered 51.4 where a reading above 50 indicates expansion. Economic indicators for consumption, investment, and industrial output were stronger than expected, but the effect of a COVID-19 resurgence abroad may weigh down Chinese exports in the coming months.

THE WEEK AHEAD

- IHS Markit releases Saudi Arabia PMI for October on November 3
- U.S. releases balance of trade figures for September on November 4
- U.S. releases October employment report on November 6