



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

Weekly Market Brief
Week Ending November 13th, 2020

SAUDI ARABIAN MARKET

Saudi Arabia Macroeconomic Developments

- Saudi Arabia's economy grew 1.2 percent in Q3 compared to the previous quarter. On a yearly basis, GDP declined 4.2 percent. The report by the General Authority for Statistics was the first quarterly flash GDP estimate issued by the crown government in an effort to provide timely data to key decisionmakers. Further details on Q3 GDP and its subcomponents will be issued in a second release as data becomes available.
- Consumer prices in Saudi Arabia increased 5.8 percent YoY in October, slightly above last month's level. Inflation mainly reflects the effect of the value-added tax (VAT) increase in July. Compared to a year earlier, food & beverages (+13 percent), communications (+11.4 percent), and transportation (+7 percent) were the main drivers of inflation while education services (-8.6 percent) and housing & utilities (-0.7 percent) declined. Prices ticked up 0.1 percent compared to September.
- Producer prices rose 5.7 percent YoY in October. In line with recent months, refined petroleum product prices (-19.1 percent) pulled the overall index down while most other categories, including agriculture and fishery products (+16.8 percent), metal products and machinery (+13.3 percent), food production (+12.4 percent), and minerals (+12.9 percent) saw double-digit price increases.
- A total of 124 new factories were licensed in October with cumulative investments reaching SAR1.6 billion (\$416 million), according to the Ministry of Industry and Mineral Resources. Of the newly licensed factories, 31 began production during October. The top sectors by activity are non-metallic mineral products, plastics & rubber products, metal casting, food products, and chemical products.
- Saudi Arabia's Public Investment Fund (PIF) will reportedly inject SAR150 billion (\$40 billion) annually into the economy in 2021 and 2022, according to H.R.H. Crown Prince Mohammed bin Salman. The PIF has doubled its assets to more than SAR1.3 trillion (\$347 billion) since the launch of Vision 2030 and aims to achieve a SAR7 trillion (\$1.9 trillion) assets-under-management target by 2030.
- The total value of assets held by private investment funds in Saudi Arabia grew 8 percent YoY to SAR196.1 billion (\$52.3 billion) in Q3, according to the Saudi Arabian Monetary



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Authority (SAMA). A total of 255 funds were in operation within the Kingdom at the end of Q3. Local funds accounted for 76 percent of total assets and grew 5 percent while foreign funds accounted for the remaining 24 percent of assets, growing by 19 percent over the same period.

- Cement sales in Saudi Arabia increased 15 percent YoY in October, according to a survey of 17 Saudi cement producers issued by Yamama Cement Company. Most producers (14 of 17) reported higher sales with both local sales (+14 percent) and export sales (+22 percent) increasing from last year. Cement sales have continued to post double-digit growth after a sharp decline in early Q2 amid pandemic lockdowns.
- Saudi Arabia's weekly seaborne crude exports slowed to a 5.1 million barrels per day (bpd) pace compared 6.3 bpd the previous week. While volumes to China and South Korea were higher, deliveries to Japan and India fell sharply. No volumes were reported heading to the Mediterranean or to the U.S.

Tadawul

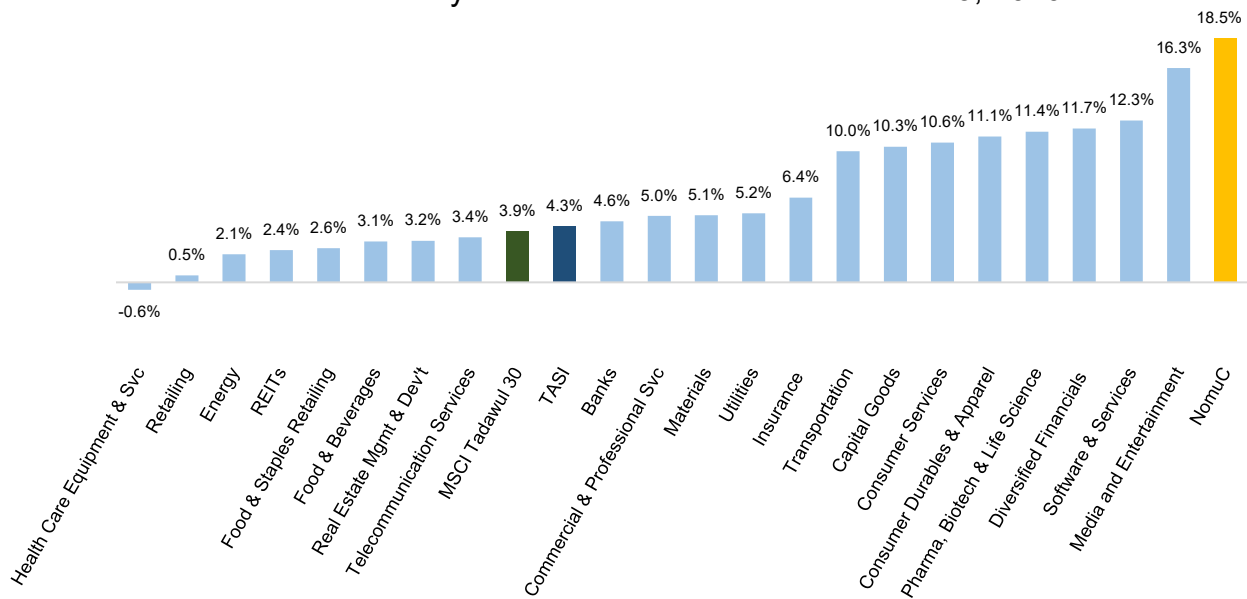
The TASI rose 4.3 percent this week to reach 8,435 points. Most sectors posted strong growth with 'Media and Entertainment' leading with a 16.3 percent gain, followed by 'Software & Services'



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and 'Diversified Financials' with 12.3 percent and 11.7 percent increases, respectively. 'Healthcare Equipment & Services' was the only sector to post a decline, losing 0.6 percent. The NomuC surged 18.5 percent, closing above 20,000 points for the first time. The MSCI Tadawul 30 gained 3.9 percent and finished the week at 1,128.3 points.

Tadawul Weekly Index Performance - November 13, 2020



Source: Tadawul, USSBC

Fitch Ratings affirmed Saudi Aramco's credit rating at 'A' but revised the company's outlook from stable to negative amid prolonged low oil prices and the prospect of extended OPEC+ supply cuts in 2021.

Investment and Trade



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- Boeing was awarded a Foreign Military Sales (FMS) contract worth up to SAR36.8 billion (\$9.8 billion) relating to modernization and support works for Saudi Arabia's F-15 fleet. Contract works will primarily be performed by Boeing in St. Louis, Missouri with an expected completion by 2025.
- The Red Sea Development Company (TRSDC) awarded a consortium led by ACWA Power the design, build, operate, and transfer contract for The Red Sea Project's utilities infrastructure. The main contract, worth a reported SAR1.5 billion (\$400 million), will be carried out by China Energy Engineering Group. The package includes construction of renewable solar and wind energy facilities totaling 210 MW, a 30,000 cubic meter desalination plant, and several wastewater, cooling, storage, and pumping facilities.
- Jubail and Yanbu Industrial Cities Company (JYIC) signed an agreement with SABIC and Vopak to take a 20 percent stake in Chemtank (The Jubail Chemical Storage and Services Company). The partnership aims to enhance international competitiveness in the petrochemical logistical services sector in line with the National Industrial Development and Logistics Program (NIDLP).
- The Saudi Grains Organization (SAGO) issued an international tender to purchase 720,000 tons of feed barley to be supplied during early 2021. SAGO announced last week that it will seek to stop issuing tenders once private companies fully take over importation and selling, a process that is reportedly already underway. The U.S. Department of Agriculture estimates Saudi Arabia will buy 7.3 million tons of barley in the 2020-21 season, the most in three years.
- Netflix signed a multi-picture deal with Saudi Arabia's Telfaz11 Studios following their previous collaboration on the "Six Windows in the Desert" short film collection for Netflix Middle East. The U.S. streaming company ordered the production of eight new feature films from Telfaz11.
- Asharq News, a 24-hour television channel created through collaboration between Bloomberg News and the Saudi Research and Marketing Group, officially launched last week. The channel will reportedly provide global economic and general news coverage with an emphasis on business and finance for Arabic-speaking audiences.
- The Saudi Export Development Authority announced the 'Made in Saudi' initiative set to launch in Q1 2021. The program aims to boost local industrialization and promote a unified



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brand identity for Saudi Arabia's non-oil exports. Saudi Arabia aims to increase the contribution of non-oil exports to non-oil GDP to 50 percent by 2030.

- Saudi Arabia established the Water Transmission and Technologies Company (WTTCO) as part of a restructuring of its water sector, marking the first major step towards the sector's privatization. WTTCO will manage and maintain water systems totaling 7 million cubic meters a day and seek more than SAR60 billion (\$16 billion) of investments in water transmission technologies and strategic storage systems in partnership with the private sector.
- The Royal Commission for the City of Riyadh awarded a joint venture led by France's Systra a preliminary design contract for the second phase of Saudi Arabia's Riyadh Metro project. The second phase includes a new line and extensions linking Diriyah Gate and Qiddiya entertainment city to other areas across the city.

Banking

Weekly money supply M1, M2, and M3 declined 0.7 percent, 0.3 percent, and 0.2 percent, respectively.

U.S. MARKETS

U.S. Macroeconomic Developments

- The number of initial jobless claims fell to 709,000 last week, remaining elevated but beating consensus expectations. Individuals continuing to file claims for regular state benefits fell to 6.79 million during the prior week, marking another improvement in the labor market. However, the number of individuals filing continued Pandemic Unemployment Assistance (PUA) claims rose by 101,000.
- Consumer sentiment fell to a three-month low of 77 as the 'future expectations' subcomponent slipped nearly 8 points, reflecting rising virus cases and the potential for new business and movement restrictions. Assessment of current conditions remained unchanged compared to the previous month.



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- Consumer prices were unchanged in October on a monthly basis. Compared to a year earlier, prices are up 1.2 percent. Cost of living rose sharply over a four-month span between June to September, recovering from a steep decline in prices after the initial onset of pandemic lockdown measures. Inflation is expected to climb higher but remain below its pre-pandemic levels in coming months.
- Small business optimism held steady at 104 points in October as expectations for earnings increased slightly but growing uncertainty weighed on outlook. The share of respondents expecting the economy to improve fell five percentage points to reach 27 percent. Plans to boost inventories rose further which should help fuel Q4 growth.

Fixed Income

The yield on the ten-year U.S. Treasury increased this week to 0.89 percent.

Equity Markets

The Dow Jones Industrial Average (DJIA) rose 4.1 percent and finished at 29,479.8 points after Joe Biden was declared the winner of the U.S. presidential election and Pfizer announced successful results of a phase-three COVID-19 vaccine trial. The S&P 500 gained 2.2 percent and finished at 3,585.2 points while the NASDAQ declined 0.6 percent and closed at 11,829.3 points.

GLOBAL MARKETS

- Arab light crude rose 7.7 percent last week and closed at \$42.47 per barrel. Global benchmark Brent crude gained 8.4 percent and finished the week at \$42.78 while West Texas Intermediate (WTI) rose 8.1 percent and closed the week at \$40.1. Despite rising output from Libya and surging coronavirus cases globally, oil prices continued to gain last week on positive vaccine news and hopes that timely distribution may aid a rebound in oil demand in 2021. OPEC's joint ministerial monitoring meeting this week does not have the authority to change the existing supply deal but may lead to recommendations taken up at the full OPEC+ meeting scheduled for December 1.
- Japan's economy grew 5 percent in Q3, exiting a recession. Rising domestic demand and the rebound of key export sectors helped return the world's third largest economy to a growth footing. The pace of rebound was faster than expected and is likely to slow down in Q4.



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- Russia's economy contracted 3.6 percent YoY in Q3, following an 8 percent drop during the previous quarter. A stronger-than-expected rise in local demand across services, housing, and tourism mitigated some of the effect of OPEC+ supply cuts. The Bank of Russia estimates the country's 2020 economic contraction will be in the range of 4 to 5 percent.

THE WEEK AHEAD

- U.S. releases retail sales for October on November 17
- U.S. releases initial jobless claims through November 14 on November 19
- Saudi Arabia releases international trade figures for September on November 25