



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

Weekly Market Brief
Week Ending February 5th, 2021

SAUDI ARABIAN MARKET

Saudi Arabia Macroeconomic Developments

- Saudi Arabia suspended travel from 20 countries, including the U.S., to curb the spread of the coronavirus. Daily COVID-19 cases rose 22 percent compared to the prior week but remain well below the case levels seen between April and July 2020 in the Kingdom. The government also announced it would suspend all recreational events in the Kingdom for 10 days, including dine-in services.
- Saudi Arabia's non-oil private sector economy and business conditions continued to improve in January, according to IHS Markit's Purchasing Managers' Index. PMI registered 57.1 points in January from 57 points in December where the 50-point mark separates growth from contraction. Output, new work, and new orders all expanded at a faster rate, though employment levels continued to decline.
- Personal remittances of expatriates in Saudi Arabia rose 19 percent in 2020, reaching SAR149.7 billion (\$39.9 billion) compared to SAR125.3 billion (\$33.5 billion) during 2019. Transfers during December were the highest in five months, totaling SAR15.2 billion (\$4 billion).
- Consumer spending fell 1.4 percent YoY in Saudi Arabia to reach SAR1.03 trillion (\$273 billion) in 2020. Spending in Q2 was the lowest in six years amid coronavirus lockdowns but picked up steadily through Q3 and Q4 despite the VAT rate tripling. Q4 spending hit a record SAR278 billion (\$74 billion) at the end of 2020.
- Bank lending to the private sector in Saudi Arabia rose 14 percent YoY to reach SAR1.76 trillion (\$470 billion) in 2020.
- Saudi Arabia's seaborne crude exports averaged 6.4 million barrels per day (bpd) during January, declining from 6.6 million bpd in December. Saudi Aramco announced it would keep official selling prices to Asia unchanged for March after increasing prices \$.70/bbl for February. Aramco will also raise March prices of all crude grades by \$.10/bbl for the U.S. and by \$1.40/bbl for Europe.

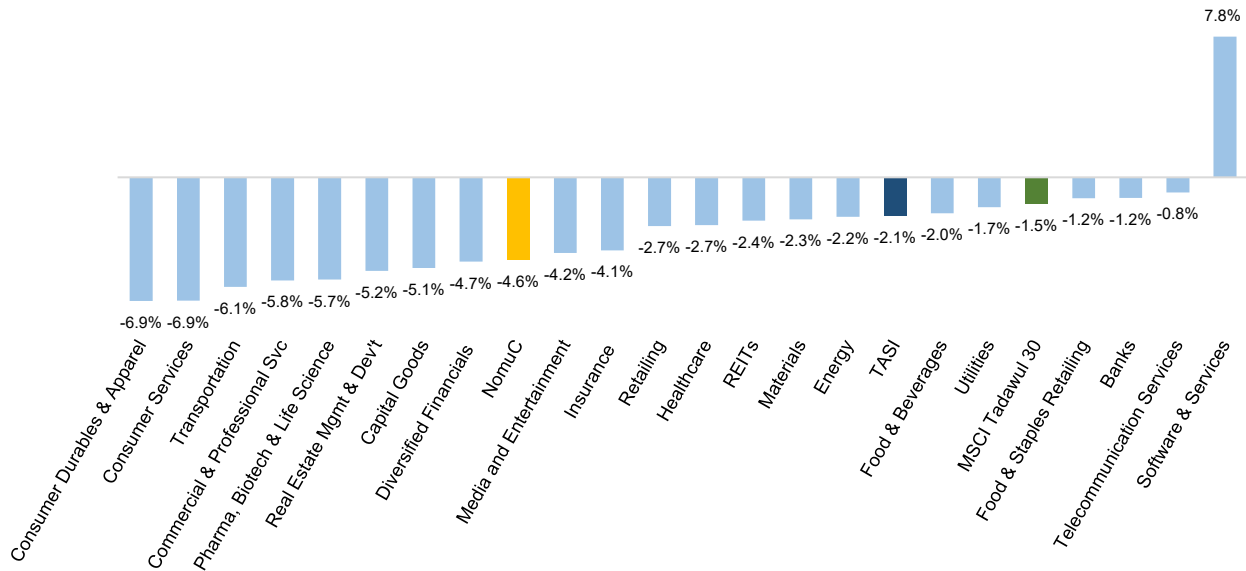


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Tadawul

The TASI fell 2.1 percent to reach 8,618 points with all but one sector finishing in negative territory after Saudi Arabia announced a travel ban and temporary suspension of sit-in dining services following an increase in coronavirus cases. Software & Services rose 7.9 percent as Al Moammar Information Systems and Arab Sea Information Systems Co. posted strong weekly gains. Consumer Durables & Apparel and Consumer Services posted sharp declines of 6.9 percent each following the halt of dine-in and other recreational services. The NomuC parallel market index declined 4.6 percent while the MSCI Tadawul 30 index fell 1.5 percent and finished the week at 1,163 points.

Tadawul Weekly Index Performance - February 5, 2021



Source: Tadawul, USSBC

Investment and Trade

- China's SEPCO Electric Power Construction Corporation awarded Honeywell a contract to supply telecommunications, safety, and security systems for the King Salman International Complex for Maritime Industries and Services, which is currently under development by Saudi Aramco at Ras Al-Khair.



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- The Red Sea Development Company (TRSDC) awarded Swiss company Blumer Lehmann a SAR675 million (\$180 million) contract for the construction of two hotel buildings comprising 172 rooms along with dredging, environmental, and infrastructure works at Ummahat al-Shaikh Island on the Red Sea coastline.
- TRSDC awarded Al Bawani a SAR225 million (\$60 million) contract to construct 40 hotel villas on the Southern Dunes site in Tabuk Province as part of the Red Sea megaproject development along with on-site staff accommodation and access roads.
- The Saudi Data and Artificial Intelligence Authority (SDAIA) signed an agreement with the Ministry of Energy to establish a jointly managed AI center for energy to implement data strategic in the energy and gas sectors.
- The Public Investment Fund (PIF) announced plans to establish a major airline that would compete with state-owned Saudi Arabian Airlines and other aviation companies operating in the region. The new airline would operate domestic and international flights while providing competitive alternatives for travelers, in part to support the development of the tourism sector over the next decade.
- Saudi tech startup Foodics, a restaurant and food service management platform, raised SAR75 million (\$20 million) in a funding round led by PIF subsidiary Sanabil Investments and its venture capital arm STV.
- Saudi fintech company Lendo was one of ten companies selected for Google's MENA accelerator program. Lendo is a peer-to-peer lending platform that offers instant short-term finance-against-invoice solutions for small and medium sized enterprises (SMEs).
- An international private equity consortium of the Saudi Industrial Investments Company (Dussur), BroadPeak Global, and Asia Green Fund announced a deal to purchase Dupont Clean Technologies for SAR1.9 billion (\$510 million) in cash. DuPont Clean Technologies is an industry leader in advanced catalyst and process technologies.

Banking



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Weekly money supply M1, M2, and M3 declined 0.5 percent, 0.9 percent, and 0.5 percent respectively during the week ending January 21.

U.S. MARKETS

U.S. Macroeconomic Developments

- The U.S. economy netted 49,000 jobs in January and the unemployment rate declined to 6.3 percent. Last month's employment decline was revised higher (+87,000 claims), reflecting continued weakness in the labor market's recovery. Labor force participation remains well below pre-pandemic levels at 61.4 percent. Pressure on the leisure and hospitality sectors was seen again in January as employers cut another 61,000 jobs while job gains were primarily in manufacturing, transportation, and retail.
- Exports (+3.4 percent) outpaced imports (+1.5 percent) in December, narrowing the U.S. trade balance by \$3.4 billion to a \$66 billion deficit. Most of the export growth was merchandise or goods (+4.7 percent) while services (+0.5 percent) ticked up but continue to struggle. Pick-up in industrial supplies (+4.3 percent) and automotive & parts (+6.9 percent) exports were particularly strong.
- The ISM services index rose to a post-pandemic high of 58.7 in January, despite the pandemic's impact on service sector activity. Bucking expectations, improvement was broad-based with the employment subcomponent returning to positive territory for the first time in nearly a year.

Fixed Income

The yield on the ten-year U.S. Treasury rose last week to 1.2 percent.

Equity Markets

The Dow Jones Industrial Average gained 3.9 percent and finished at 31,148 points. The S&P 500 rose 4.7 percent and finished at 3,887 points while the NASDAQ gained 6 percent and closed



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at 13,856 points. During the month of January, DJIA declined 2 percent and the S&P fell 1.1 percent while the NASDAQ rose 1.4 percent.

GLOBAL MARKETS

- Arab Light crude rose 7.2 percent last week and closed at \$59.34 per barrel. Global benchmark Brent crude rose 6.7 percent and finished the week at \$59.56 while West Texas Intermediate (WTI) surged 9.4 percent and closed the week at \$57.08. Oil markets saw the second biggest price gains of the year last week as concerns surrounding coronavirus variants and slow vaccine administration were shaken off. Saudi Aramco's decision to raise its official selling price to Northwest Europe for March by \$1.40 suggests a bullish outlook for demand. Over the course of January, Brent and WTI rose 7.9 percent and 7.6 percent, respectively, while Arab Light rose 9.4 percent.
- The UAE's composite PMI registered at 51.2 for the second consecutive month, signaling a modest improvement in business conditions but remaining below its long-run average above 54. Rapid vaccine distribution in the UAE has contributed to elevated business optimism. New business was led by higher export sales in the Gulf region and employment levels rose for the first time in more than a year.
- Egypt's PMI rose slightly to 48.7 in January from 48.2 in December, remaining in contraction territory as the economy registered declines in overall output, new orders, and employment. Exports still rose in January and rising workforce levels at some companies led to the softest rate of employment decline in 15 months. Business optimism also improved amid vaccines rollouts.

THE WEEK AHEAD

- Saudi Arabia releases flash estimates for Q4 GDP growth on February 10
- U.S. releases weekly jobless claims on February 11
- Saudi Arabia releases consumer price index for January on February 16