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

Weekly Market Brief
Week Ending March 5th, 2021

SAUDI ARABIAN MARKET

Saudi Arabia Macroeconomic Developments

- Saudi Arabia's non-oil private sector economy continued to improve in February, but the rate of growth eased amid slower expansion for output and new orders. IHS Markit's Purchasing Managers' Index (PMI) registered 53.9 points in February compared to 57.1 points in January. New business inflows and export sales continued to rise, though job numbers decreased for the third consecutive month.

- Saudi Arabia and OPEC+ partners agreed to extend crude oil supply cuts totaling approximately 7 million barrels per day (bpd), or 7 percent of global demand, through April. Saudi Arabia also announced it would extend its unilateral and voluntary 1 million bpd supply cut through the end of April, offering further support to the energy market despite a recent rally in oil prices. Russia and Kazakhstan were granted an exemption, which would allow the nations to produce 130,000 and 20,000 additional bpd, respectively, starting in April.

- Aggregate profits of Saudi banks declined 2 percent YoY to SAR5.2 billion ($1.4 billion), according to data from the Saudi Central Bank. The banking sector's aggregate earnings were down 23 percent in 2020, totaling SAR38.7 billion ($10.3 billion). The data covers 11 listed Saudi and some foreign banks operating in the Kingdom.

- Personal remittances of expatriates in Saudi Arabia rose 12 percent YoY to reach SAR12.1 billion ($3.2 billion) during January. On a monthly basis, remittances were 10 percent lower than December 2020. During 2020, personal remittances of expats rose 19.3 percent and hit the highest level of the past four years amid the global pandemic.

- Point-of-sale transactions rose 2 percent to SAR7.34 billion ($1.96 billion) during the week ending February 27. Consumer spending comprised 74.5 million transactions over the period. The Kingdom announced it would ease some coronavirus-related restrictions on recreational activities such as indoor dining, cinemas, and gyms starting March 7. The move is expected help boost the recent lull in consumer spending since the restrictions entered into effect on February 3.

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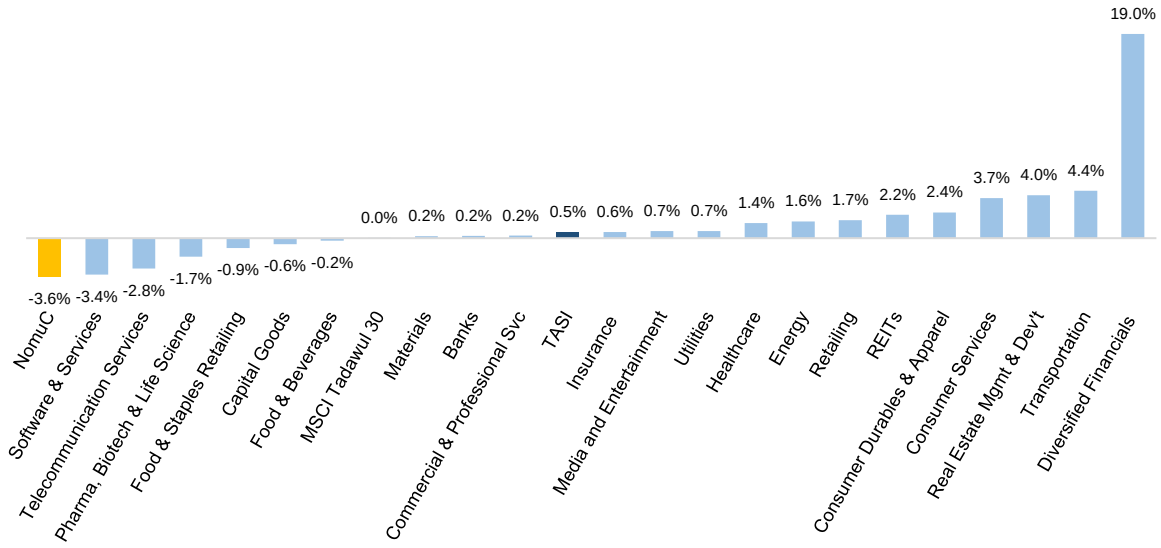
Tadawul

The TASI rose 0.5 percent to reach 9,240 points as COVID cases within the Kingdom stabilized. Diversified Financials led for the second consecutive week, rising 19 percent amid strong gains for Saudi Advanced Industries Co. and Aseer Trading, Tourism, and Manufacturing. Transportation rose 4.4 percent and Real Estate Management & Development rose 4 percent. Software & Services fell another 3.4 percent while the NomuC parallel market index also declined 3.6 percent. The MSCI Tadawul 30 index remained flat, rising 0.03 percent and finishing the week at 1,242 points.

Tadawul Weekly Index Performance - March 5, 2021



Source: Tadawul, USSBC

The merger between National Commercial Bank (NCB) and Samba Financial Group was formerly approved by shareholders last week. The combined entity, which will be called Saudi National Bank, is expected to be launched April 1 and will constitute the largest bank in the Kingdom.

Investment and Trade

- Saudi Aramco signed an agreement with Hyundai Heavy Industries to export liquefied petroleum gas to produce blue hydrogen. In return, CO2 captured and stored during the production process will be provided to Aramco to be used for carbon-based oil recovery. The deal also includes agreements for Hyundai Oilbank to purchase blue ammonia from Aramco as feedstock for a planned LNG boiler to be built by 2024.

- Public Investment Fund-owned Saudi Entertainment Ventures (SEVEN) awarded a SAR105 million ($28 million) early works package to local firm Binyah for site preparation for a planned entertainment complex in Riyadh. Binyah is a joint venture between Saudi Real Estate Company and Mohammed Ali al-Swailem Group.

- Saudi Grains Organization (SAGO) announced a tender to import 540,000 tons of feed barley during April-May 2021 to increase reserve stocks. SAGO reaffirmed that the private sector would assume the role of importation and sale of barley in the near future. The U.S. exported approximately SAR990 million ($264 million) of cereals to Saudi Arabia during 2020.

- The Royal Commission for Riyadh City (RCRC) listed Parsons Corporation as the project management consultant for several packages of the SAR1.9 billion ($500 million) Sports Boulevard project. The project includes a wide variety of recreation and entertainment infrastructure and amenities, including hotels, sports areas, cinemas, and commercial developments.

Banking

Weekly money supply M1, M2, and M3 fell 1 percent, 0.7 percent, and 1 percent respectively during the week ending February 25.

U.S. MARKETS

U.S. Macroeconomic Developments

- The U.S. economy added 379k net new jobs in February and the unemployment rate ticked down to 6.2 percent. A revision of January's employment report also more than doubled the reported figure to 117k added jobs. In February, private sector employment rose 513k as leisure & hospitality (+355k) and healthcare & social assistance (+46k) recovered. Payrolls are down 9.5 million, or 6.2 percent, below last year's level.

- The U.S. trade deficit grew 1.8 percent in January to reach $68.2 billion. Imports rose 1.2 percent while exports rose 1 percent in a sign that global trade slowly continues to recover from pandemic lows. Services trade registered a surplus for the first time since June but remains 20 percent below pre-COVID levels. Consumer goods imports surged 6.3 percent in January, up nearly 20 percent from last year, while consumer goods exports remain down 2.5 percent from last year's level.

- IHS Markit's U.S. composite PMI rose to 59.5 in February, the sharpest expansion in private sector activity since August 2014. Service sector output expanded by the most in six years after pandemic-related restrictions kept business activity suppressed throughout 2020. Employment improved marginally while new order inflows expanded sharply. The manufacturing sector continues to post strong fundamentals as production and employment both expanded in February.

Fixed Income

The yield on the ten-year U.S. Treasury rose to 1.56 percent, the highest since January 2020.

Equity Markets

The Dow Jones Industrial Average rose 1.8 percent and finished the week at 31,496 points. The S&P 500 gained 0.8 percent and finished at 3,842 points while the NASDAQ lost 2.1 percent and closed at 12,920 points amid a broad-based decline for tech stocks which saw record growth in 2020.

GLOBAL MARKETS

- Arab Light crude gained 2.3 percent last week and closed at $66.64 per barrel after OPEC+ agreed to extend supply cuts through the end of April. Global benchmark Brent crude rose 4.9 percent and finished the week at $69.36 while West Texas Intermediate (WTI) rose 7.5 percent and closed the week at $66.09. Several forecasters revised price expectations upward following the OPEC+ decision including Goldman Sachs, which raised its Brent expectation to $75 in Q2. A strong U.S. jobs report provided further support for demand in energy markets.

- UAE's non-oil private sector economy showed a marginal improvement in business conditions as IHS Markit's PMI declined to 50.6 in February from 51.2 in January. Some stricter lockdown measures were resumed in February and firms reported related shipping problems and customs delays for international trade. Despite the success of UAE's vaccination campaign, its business outlook for the next twelve months soured.

- Egypt posted a composite PMI of 49.3 in February, up from 48.7 in January. Business operating conditions declined at the softest rate in three months as demand trends move closer to stabilization. Export sales picked up at a record pace during February, offsetting a drop in overall new sales. Declines in employment levels persisted but at the softest rate in 16 months.

THE WEEK AHEAD

- U.S. releases inflation report for February on March 10
- Saudi Arabia releases inflation report for February on March 15
- Saudi Arabia releases individual and household ICT usage survey for 2020 on March 15