



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

Weekly Market Brief
Week Ending March 19th, 2021

SAUDI ARABIAN MARKET

Saudi Arabia Macroeconomic Developments

- Saudi Arabia's GDP grew by 2.5 percent QoQ during Q4 2020 while it contracted by 3.9 percent YoY, according to the General Authority for Statistics (GASat). Petroleum refining grew 26 percent QoQ in Q4 after contracting for two consecutive quarters. 'Social & personal services' (+6.7 percent) and 'wholesale & retail trade, restaurants, & hotels' (+5.7 percent) were among the other fastest growing sectors in Q4.
- The total number of loan guarantees under Saudi Arabia's Kafalah program increased 106 percent YoY in Q4 2020 with total guarantees exceeding SAR3.4 billion (\$900 million). The Kafalah program is a partnership between Saudi commercial banks and the Saudi Industrial Development Fund (SIDF) that offers preferential financing to SMEs in targeted non-oil sectors such as manufacturing, tourism, and entertainment.
- The SIDF approved 212 loans worth SAR17.6 billion (\$4.7 billion) during 2020, benefiting 201 projects in the industrial, mining, energy, and logistics sectors. Small and medium enterprises (SMEs) accounted for 84 percent of the number of loans.
- Saudi Arabia closed its March 2021 issuance under the riyal-denominated government sukuk program with an issuance of SAR7.7 billion (\$2 billion). The first tranche had a size of SAR2.7 billion (\$720 million) and matures in 2028 while the second tranche had a size of SAR5 billion (\$1.3 billion) and matures in 2031. For more on Saudi Arabia's domestic sukuk program, read our [Sukuk Market Update](#).
- The total number of containers handled at Saudi ports rose 3.6 percent YoY to reach 527,000 twenty-foot equivalent units (TEUs) during February according to the Saudi Ports Authority (Mawani). Transshipment of containers rose 16.2 percent YoY to over 213,000 standard containers, while cargo tonnage handled rose 2.2 percent YoY to over 20 million tons across 894 total ships.

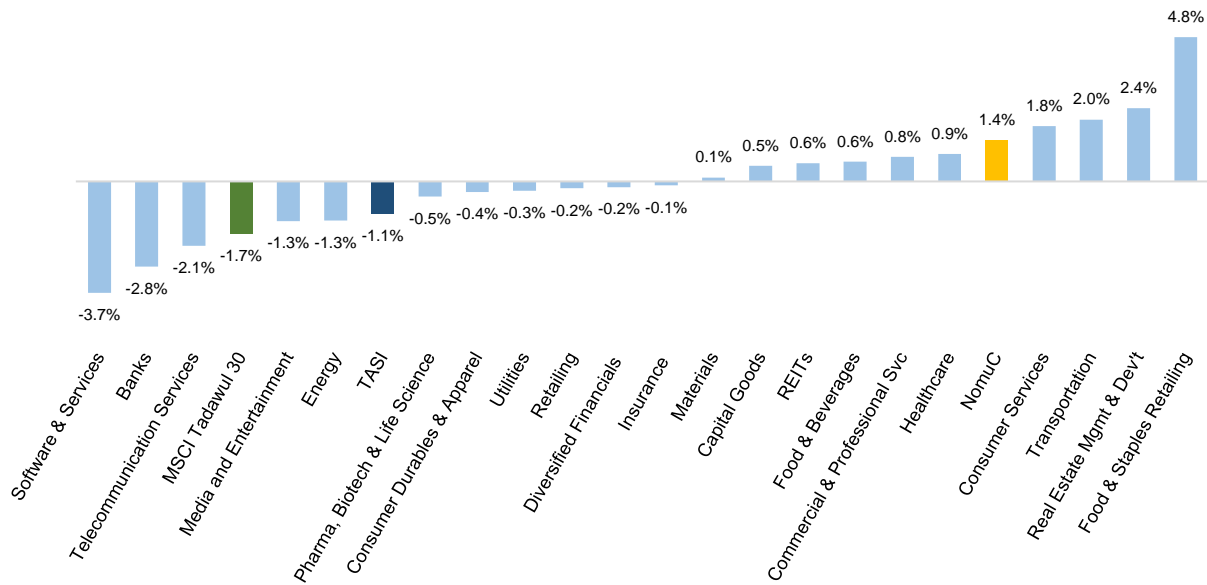


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Tadawul

The TASI fell 1.1 percent to reach 9,486 points last week, pulling back after hitting a six-year high after coronavirus restrictions were lifted across Saudi Arabia. Food & Staples Retailing led with a 4.8 percent gain followed by Real Estate Management & Development and Transportation which rose 2.4 percent and 2 percent, respectively. Software & Services fell 3.7 percent. The NomuC parallel market index gained 1.4 percent while the MSCI Tadawul 30 index lost 1.7 percent to finish the week at 1,275 points.

Tadawul Weekly Index Performance - March 19, 2021



Source: Tadawul, USSBC

Saudi British Bank (SABB) announced the completion of a merger between itself and Alawwal bank, merging all products and services for all customers under SABB.

Saudi Aramco reported net income of SAR184 billion (\$49 billion) in 2020, down from SAR331 billion (\$88 billion) in 2019 amid lower oil production and prices due to the coronavirus pandemic. The company also reported it would cut capital expenditures to around SAR131 billion (\$35 billion) in 2021 from previous expectations between SAR150 billion (\$40 billion) and SAR169 billion (\$45 billion).



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Investment and Trade

- The 'Made in Saudi' program that aims to promote Saudi-made products and services at the local and international level will be formally launched on March 28. The Saudi Export Development Authority (SEDA) will unveil its logo to provide a unified brand identity for Saudi goods.
- U.S. publishing technology provider HighWire announced a partnership with Saudi Medical Journal of the Medical Services Department under the Ministry of the Defense and Aviation. HighWire will leverage its JCore platform to host the Saudi Medical Journal and the Neurosciences Journal in its first official partnership in Saudi Arabia.
- Saudi Arabia's Council of Ministers approved a privatization law aimed at opening 16 sectors to local and international private firms in a bid to raise private sector contribution to GDP from 40 percent to 65 percent by 2030. The targeted sectors include environment, water and agriculture, transportation, energy, industry and mineral wealth, housing, education, health, communications and information technology, media, and sports.
- Amazon announced plans to add 11 new buildings and create 1,500 jobs in Saudi Arabia in 2021. The investment will expand Amazon's fulfillment network's storage capacity by 89 percent and grow the area of its delivery network by 58 percent. Amazon Prime was launched in Saudi Arabia in January of this year.
- Mouwasat Medical Services selected Honeywell to provide integrated building management and energy use systems across its hospital network in Saudi Arabia. Honeywell's digitization infrastructure will be employed at six Saudi hospital locations in Mouwasat's network.

Banking

Weekly money supply M1 and M3 rose 0.06 percent and 0.35 percent, respectively, while M2 declined 0.07 percent during the week ending March 11.



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U.S. MARKETS

U.S. Macroeconomic Developments

- Retail sales fell 3 percent in February from the previous month. The drop in retail spending was higher than expected but still held 6 percent higher than pre-pandemic levels. Colder weather across the central U.S. that caused power outages likely contributed to the steeper decline.
- Industrial production declined 2.2 percent in February. Factory output was down 3.1 percent with the largest declines centered around industries such as chemical manufacturing and petroleum refining that were adversely affected by unusually cold weather conditions during the month. Slowing production for motor vehicles & parts also reflects logistical challenges in global supply chains.
- Housing starts fell 10.3 percent in February, declining in the Midwest, Northeast, and South, but rising in the West. Home builder confidence remains high and starts are expected to pick up again in March as warmer weather allows, though rising material prices are starting to put pressure on construction activity.
- The Federal Reserve kept interest rates unchanged last week at the FOMC meeting and maintained a dovish stance on inflation expectations. The Fed expects economic recovery to progress faster than originally expected, estimating 6.5 percent GDP growth this year (up from +4.2 percent previously) and an unemployment rate of 4.5 percent by the end of 2021.

Fixed Income

The yield on the ten-year U.S. Treasury rose to 1.74 percent.

Equity Markets

The Dow Jones Industrial Average declined 0.5 percent and finished the week at 32,728 points. The S&P 500 lost 0.8 percent and finished at 3,913 points while the NASDAQ fell 0.8 percent and closed at 13,215 points.



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GLOBAL MARKETS

- Arab Light crude fell 8.7 percent last week and closed at \$62.34 per barrel. Global benchmark Brent crude meanwhile fell 6.8 percent and finished the week at \$64.53 while West Texas Intermediate (WTI) fell 6.4 percent and closed the week at \$61.42. U.S. drillers added nine oil rigs last week as shale production continues to ramp up while several European economies reimposed some lockdown measures related to rising coronavirus cases and slow vaccine administration.
- India's trade deficit widened to \$12.6 billion in February as exports grew marginally (+0.7 percent) while imports rose 7 percent. India's oil imports meanwhile declined 16.6 percent during February. Wholesale price inflation in India reached a 27-month high, rising 4.2 percent YoY in February with core inflation also reaching a series high of 5.5 percent.
- Industrial production in China grew 35 percent YoY in Jan-Feb while retail sales surged 34 percent YoY in part due to last year's low base. China's national urban unemployment rate rose from 5.2 percent to 5.5 percent in February, according to official figures.

THE WEEK AHEAD

- U.S. releases durable goods orders for February on March 24
- Saudi Arabia releases international trade figures for January on March 25
- Saudi Arabia releases labor market report for Q4 2020 on March 31