



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

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Weekly Market Brief  
*Week Ending April 16<sup>th</sup>, 2021*

SAUDI ARABIAN MARKET

Saudi Arabia Macroeconomic Developments

- Wholesale prices rose 8.7 percent YoY in March according to the General Authority for Statistics (GStat), reflecting the effect of the value-added tax (VAT) increase from 5 percent to 15 percent in July 2020. Wholesale prices were also up 0.8 percent compared to the previous month. The biggest contributors were base metals (+24 percent YoY), transportation equipment (+11 percent), and food prices (+11 percent YoY).
- Consumer prices rose 4.9 percent YoY in March. Higher meat and vegetable prices drove a 10 percent YoY increase in the cost of food which also reflects the impact of the VAT increase. On a monthly basis, consumer prices were relatively stable and declined 0.1 percent. Compared to February, transportation prices rose 0.8 percent while rental prices fell 0.4 percent in March.
- Point-of-sale transactions in Saudi Arabia fell 12 percent to reach SAR10 billion (\$2.7 billion) during the week ending April 10. Weekly spending pulled back from a record high last week, but still registered as the second highest level of 2021. Food & beverages, restaurants, and clothing retailers accounted for 39 percent of consumer spending.

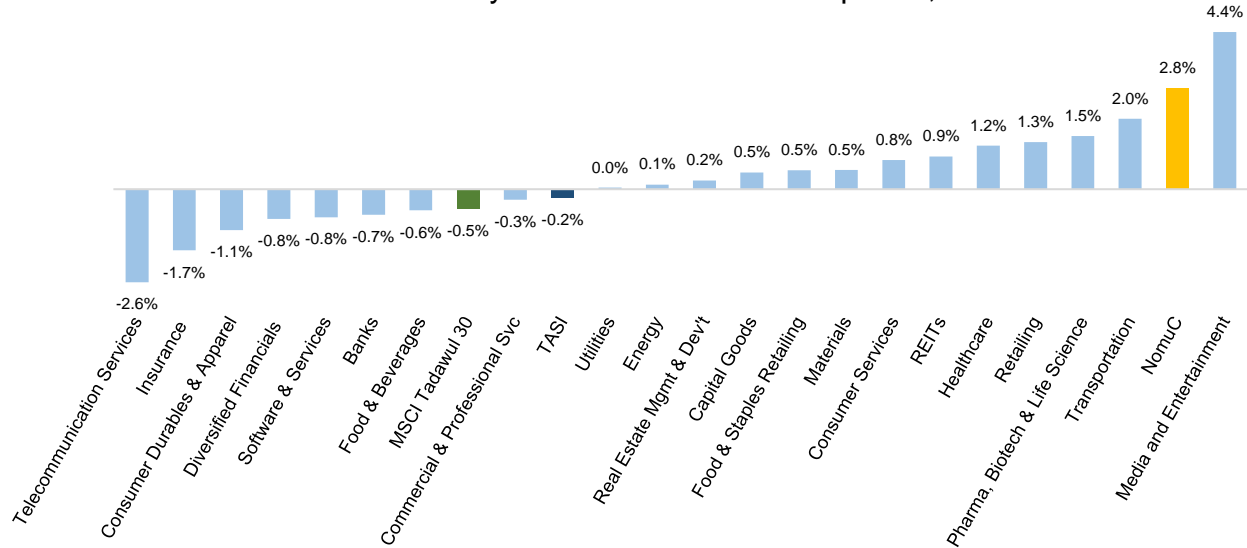


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### Tadawul

The TASI fell 0.2 percent and closed at 9,988 points after reaching a six-year high last week. Media & Entertainment led other sectors with a 4.4 percent gain followed by Transportation and Pharma, Biotech, & Life Science which rose 2 percent and 1.5 percent, respectively. The NomuC parallel market index rose 2.8 percent while the MSCI Tadawul 30 index finished the week down 0.5 percent to close at 1,361 points.

Tadawul Weekly Index Performance - April 16, 2021



Source: Tadawul, USSBC

### Investment and Trade

- Saudi Aramco signed a SAR47 billion (\$12.4 billion) lease-and-lease-back deal with a consortium led by EIG Global Energy Partners under which a newly formed Aramco subsidiary, Aramco Oil Pipelines Company, will lease usage rights in Aramco's stabilized crude oil pipelines network for a 25-year period.
- India's Larsen & Toubro signed a contract to build the 1.5 GW Sudair solar photovoltaic plant in Saudi Arabia. The project is part of the PIF-led Renewable Project Development Office portfolio covered in our [June Economic Brief](#). The Sudair plant will be the largest solar PV plant in the GCC when completed.



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- Advanced Petrochemical Co. signed a SAR4.5 billion (\$1.2 billion) agreement with Samsung Engineering for the construction of a propylene plant in Jubail Industrial City II. The plant will produce 843,000 tons of propylene per year with offsites utilizing U.S.-based Lummus Technology's proprietary CATOFIN technology.
- France's Louvre Hotels announced plans to open 31 new properties in Saudi Arabia by 2025 as the global hospitality sector emerges from the global pandemic. Louvre Hotels identified Saudi Arabia as a key market for international expansion amid the Kingdom's push for greater tourism development.
- Saudi digital media company UTURN, part of Webedia Arabia Group, signed an exclusive content agreement with Facebook to localize content for audiences across the MENA region.
- Seattle-based Seeq Corp., an industrial IoT software company, raised SAR188 million (\$50 million) as part of a Series C funding round led by a group of investors including Altira Group, Chevron Technology Ventures, Cisco Investments, and Saudi Aramco Energy Ventures (SAEV).
- Saudi startups raised SAR285 million (\$76 million) in Q1 2021, a 138 percent increase from the previous quarter, according to entrepreneurship platform Wamda. Saudi Arabia was the third largest market for VC funding in the MENA region behind UAE and Egypt and the only one of the three to grow during 2020, according to Magnitt data.
- Australia and Saudi Arabia reached an agreement to resume livestock trade after a 10-year hiatus. Saudi Arabia is the largest livestock market in the GCC region, importing nearly 8 million sheep, goat, cattle, and camels each year.
- French construction company Egis signed a contract with the Saudi Ministry of Culture to develop the Red Sea Museum in Jeddah from the historic Bab Al Bunt heritage building site.

## Banking

Weekly money supply M1 and M2 declined 0.2 percent and 0.03 percent, respectively, while M3 rose 1 percent during the week ending April 8.



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## U.S. MARKETS

### U.S. Macroeconomic Developments

- Retail sales jumped 9.8 percent in March, outpacing consensus expectations and logging the second-best month on record. Retail sales are now 17 percent higher than pre-pandemic levels. Higher savings rates, incoming stimulus checks, warmer weather, and the reopening of businesses drove broad-based gains across nearly all sectors in March.
- Consumer prices rose 0.6 percent YoY in March, reflecting both low base effects from last year's shutdowns and the beginning of a pickup in real inflation. The Federal Reserve has maintained a wait-and-see approach with a general expectation of a sustainable pickup in inflation.
- Industrial production rose 1.4 percent in March, but manufacturing output missed expectations amid continued supply shortages. Motor vehicle and parts production rose only 2.8 percent after a 10 percent drop in February as global semiconductor shortages persist. Demand is expected to outpace production in the coming months.
- Small business confidence rose 2.4 points in March as a greater proportion of business owners expected the economy to improve. The index registered above its long-run average for the first time since November. The uncertainty subcomponent of the index also rose, but most business owners expect improvement in sales and economic conditions in the coming 12 months.

### Fixed Income

The yield on the ten-year U.S. Treasury fell to 1.59 percent.

### Equity Markets

The Dow Jones Industrial Average rose 1.2 percent and finished the week at a record 34,201 points. The S&P 500 gained 1.4 percent and finished at 4,185 points while the NASDAQ gained 1.1 percent and closed at 14,052 points.



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## GLOBAL MARKETS

- Arab Light crude prices rose 6.6 percent last week and closed at \$66.73 per barrel. Global benchmark Brent crude gained 6.1 percent and finished the week at \$66.77 while West Texas Intermediate (WTI) rose 6.4 percent and closed the week at \$63.13. Oil settled lower on Friday but secured a strong weekly gain on strengthening demand outlook and promising signs of an economic recovery in China, the U.S., and other major economies. Both OPEC and the International Energy Agency (IEA) increased forecasts for oil demand growth in 2021 last week.
- China's GDP grew 18.3 percent YoY in Q1, the fastest growth since quarterly records began in 1992. Both retail sales (+34 percent) and exports (+31 percent) beat expectations while inflation remained moderate. Foreign direct investment (FDI) into China grew 44 percent YoY in Q1, the highest quarterly rate since 2008. China was the only major world economy to expand during 2020.
- Oman introduced a 5 percent value-added tax (VAT) on April 16, the fourth GCC country to do so. The six GCC states signed a Common VAT Agreement in 2016 to introduce a 5 percent VAT. Saudi Arabia, the UAE, and Bahrain have so far introduced a VAT while Qatar is expected to follow this year. Saudi Arabia raised its VAT level to 15 percent in July 2020.

## THE WEEK AHEAD

- Saudi Arabia releases real estate prices for Q1 2021 on April 22
- U.S. composite PMI for April is released by IHS Markit on April 23
- Saudi Arabia releases international trade figures for February on April 25