



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

Weekly Market Brief
Week Ending June 11, 2021

SAUDI ARABIAN MARKET

Saudi Arabia Macroeconomic Developments

- Saudi Arabia's private sector GDP expanded 4.4 percent in Q1 2021, according to the General Authority for Statistics (GASat). Overall GDP declined 3 percent on weaker oil demand while the non-oil sector grew 2.9 percent. The fastest growing non-oil sectors in Q1 were manufacturing (excluding petroleum refining) which grew 8.9 percent YoY and real estate which grew 6.6 percent YoY.
- Saudi Arabia's economy is expected to grow 2.4 percent in 2021 and 3.3 percent in 2022, according to the World Bank. The Bank raised its economic forecasts for Saudi Arabia from 2 percent and 2.2 percent in 2021 and 2022, respectively. The recovery in oil markets paired with new government investment programs boosted the Bank's outlook for Saudi Arabia's near-term economic growth.
- The value of Saudi real estate transactions grew 167 percent YoY to SAR15.1 billion (\$4 billion) in April-May 2021, according to the Ministry of Justice. However, on a monthly basis, the value of deals declined 35 percent from a record high SAR23.3 billion (\$6.2 billion) during March-April 2021.
- Saudi bank loans to the private sector rose 15 percent YoY in April to reach SAR1.884 trillion (\$502 billion), according to SAMA. Bank claims on the public sector grew by SAR55 billion (\$15 billion), a 12 percent rise.

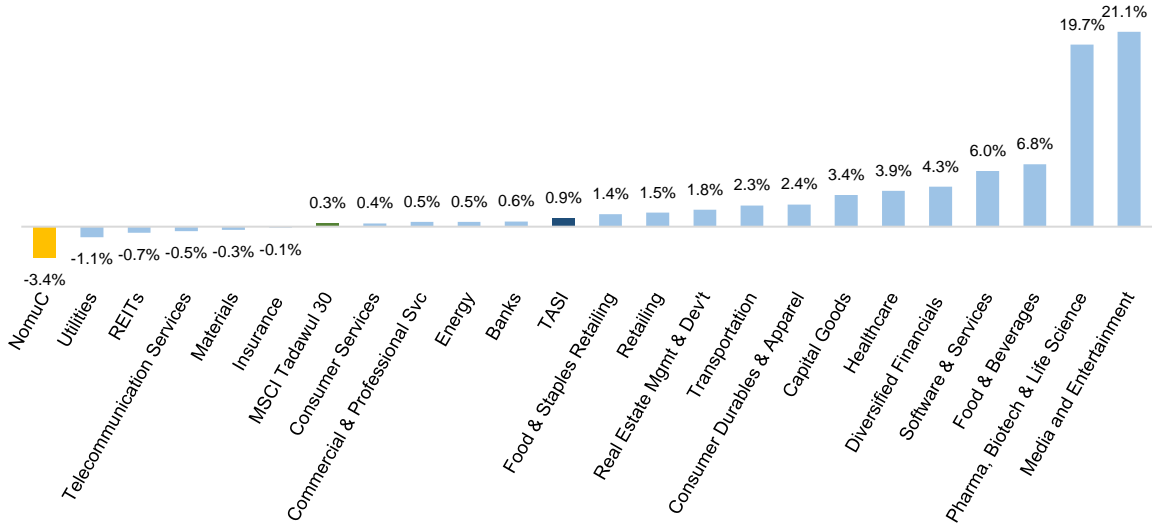


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Tadawul

The TASI rose 0.9 percent and closed at 10,796 points for its fifth consecutive weekly gain. 'Media & Entertainment' led other sectors again last week with a 21.1 percent increase followed by 'Pharma, Biotech, & Life Science' and 'Food & Beverages' with a 19.7 percent and 6.8 percent increase, respectively. 'Utilities' declined 1.1 percent. The NomuC parallel market index fell 3.4 percent while the MSCI Tadawul 30 index rose 0.3 percent to close the week at 1,445 points.

Tadawul Weekly Index Performance - June 11, 2021



Source: Tadawul, USSBC

Saudi Aramco raised SAR23 billion (\$6 billion) from its first dollar-denominated sukuk to help fund its SAR281 billion (\$75 billion) dividend commitment. Moody's assigned Aramco's sukuk issuance an A1 rating with a negative outlook.

Saudi Arabia's weight in the JPMorgan Emerging Bond Index increased by 1.04 percentage points to reach 3.9 percent, making it the 4th highest following Mexico, Indonesia, and China.



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Investment and Trade

- Saudi Arabia topped the startup investment market in the MENA region in May, accounting for SAR176 million (\$47 million) of the region's total SAR413 million (\$110 million), according to Wamda. Egypt and the UAE registered 2nd and 3rd. By sector, B2B e-commerce, fintech, logistics, education, and tourism were the most popular sectors for startup investments.
- The Public Investment (PIF) will be an anchor investor in a new SAR3 billion (\$800 million) Gulf infrastructure fund set up by Aberdeen Standard Investments and Investcorp, according to the Financial Times. The fund will focus on social infrastructure projects across the GCC encompassing healthcare, education, housing, and water projects.
- Prince Sultan University (PSU) signed an agreement with U.S. technology firm VMware to set up the first regional VMware IT Academy to support youth digital skill development in Saudi Arabia.
- King Abdullah University of Science and Technology (KAUST) signed an agreement with U.S.-based quantum software startup Zapata Computing to utilize the company's proprietary Orquestra unified quantum operating environment. The operating program will conduct research in the fields of fluid dynamics, aerodynamics, and energy efficiency.
- U.S. energy firm Baker Hughes will supply selected industrial gases for the advanced green ammonia production facility at NEOM. In July 2020, NEOM and Air Products signed a SAR19 billion (\$5 billion) agreement to set up the renewable energy-powered project.
- Saudi agritech startup Red Sea Farms raised SAR38 million (\$10 million) to expand its commercial-scale farming facilities across Saudi Arabia and the UAE. Established in 2018, Red Sea Farms uses saltwater-cooled greenhouses to grow tomatoes and other produce.
- The Saudi Volleyball Federation will host the Kingdom's first women's volleyball tournament in Riyadh later this year. The decision follows a series of firsts in women's sports for the Kingdom which are covered in USSBC's recent [Sports Sector Update](#).
- PIF will partner with E1 Series to host the first electric speedboat world championship in 2023. Saudi Arabia is on a shortlist of potential venues. E1 Series also signed partnerships with ACWA Power, Sudair Solar Energy, and Lucid Motors in alignment with the renewable energy theme of the event.
- The Royal Commission for Al Ula signed agreements to shoot three films, of which two will be Saudi films and one an unspecified American film, at Al Ula. Scenes from the



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American movie “Cherry” (2021) were reportedly shot in Al Ula and Riyadh, a first for Saudi Arabia.

- The Shoura Council reportedly asked the Real Estate General Authority to study a proposal to allow non-resident foreigners to own real estate in Saudi Arabia.

Banking

Weekly money supply M1, M2, and M3 fell 1 percent, 0.3 percent, and 0.7 percent, respectively, during the week ending June 3.

U.S. MARKETS

U.S. Macroeconomic Developments

- U.S. inflation increased to 5 percent YoY and 0.6 percent MoM in May, according to the Department of Labor. Core inflation, which excludes volatile food and energy prices, rose 3.8 percent YoY and 0.7 percent MoM, the highest increase in nearly 30 years. Prices of used vehicles rose 7.3 percent MoM.
- The U.S. trade deficit narrowed to \$68.9 billion in April. Exports rose 1.1 percent (+\$2.3 billion) while imports declined 1.4 percent (-\$3.8 billion). The rise in exports reflected a pickup in civilian aircraft exports while U.S. imports were held back by a nearly 4 percent drop in consumer goods imports. Automobile trade continued to weaken in April, reflecting ongoing supply chain issues in the sector.
- Initial jobless claims fell for the sixth consecutive week, reaching 376k during the week ending June 5. This marks a 15-month low for weekly jobless claims which spiked following the initial COVID lockdowns in early 2020. Continuing claims fell by 258k to 3.5 million during the week ending May 29, the lowest since the onset of the pandemic.

Fixed Income

The yield on the ten-year U.S. Treasury declined to 1.47 percent.



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Equity Markets

The Dow Jones Industrial Average fell 0.8 percent and finished the week at 34,480 points. The S&P 500 gained 0.4 percent and finished at 4,247 points while the NASDAQ rose 1.9 percent and closed at 14,069 points.

GLOBAL MARKETS

- Arab Light crude prices gained 1.7 percent last week and closed at \$72.11 per barrel. Brent crude rose 1.1 percent and finished the week at \$72.69 while West Texas Intermediate (WTI) rose 1.9 percent and closed the week at \$70.91. An improved outlook for worldwide demand has put pressure on suppliers to increase production. The IEA stated in its monthly report that OPEC+ would need to boost output by 1.4 million barrels per day (bpd) above its current July 2021-March 2022 target to meet higher-than-expected energy demand.
- South Korea's GDP grew by 1.9 percent YoY and 1.7 percent QoQ in Q1 due to higher private consumption, exports, and capital spending. Capital investment rose 6.1 percent, driven by machinery and transportation equipment, while exports rose 2 percent amid higher automobile and mobile phone sales.
- The Eurozone construction sector witnessed an upturn in May as businesses reported a stronger expansion in activity and new orders. IHS Markit's Eurozone construction PMI rose to 50.3 points in May from 50.1 points in April. GDP growth in the Eurozone was revised higher last week, falling a softer 0.3 percent QoQ (compared to -0.6 percent flash estimate) and 1.3 percent YoY in Q1. The European Central Bank reiterated its dovish stance and pledged continued bond purchases through March 2022.

THE WEEK AHEAD

- Saudi Arabia releases consumer and wholesale prices for May on June 15
- U.S. releases retail sales for May on June 15
- Saudi Arabia releases international trade figures for April on June 24