



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

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Weekly Market Brief  
*Week Ending July 16, 2021*

SAUDI ARABIAN MARKET

Saudi Arabia Macroeconomic Developments

- Saudi consumer prices rose 6.2 percent YoY and 0.2 percent MoM in June, according to the General Authority for Statistics (GASat). Transportation prices were the main drivers of inflation last month, rising 23 percent YoY and were led by vehicles (+11 percent) and fuel & lubricants (+56 percent). Annual inflation reflects the VAT increase last July while monthly consumer inflation was stable. Producer inflation rose at a faster 2 percent MoM in June as basic chemicals (+9 percent) and basic metals (+5 percent) prices continue to move higher.
- Saudi Arabia and the U.A.E. reached a deal to revise the baseline for Emirati production from 3.17 million barrels per day (bpd) to 3.65 million bpd starting April 2022. Both countries agreed on raising immediate output at the OPEC+ meeting but the group's 2022 baseline quotas were seen as too low by the U.A.E. The full OPEC+ group has yet to meet and formally adopt the new output deal.
- Fitch affirmed Saudi Arabia's credit rating at 'A' and revised its outlook to 'stable'. The outlook was assessed as 'negative' in November 2020 due to uncertainty in global oil markets. Fitch's reappraisal reflects the strong recovery of oil prices during H1 2021 as global demand recovers from the pandemic.
- Saudi Arabia's money supply grew 6.7 percent YTD through May, reaching SAR2.21 trillion (\$590.2 billion), while banks deposits grew 7.5 percent YTD and totaled SAR2 trillion (\$534 billion). Bank credit to the private sector increased 16 percent to reach SAR1.84 trillion (\$491 billion).

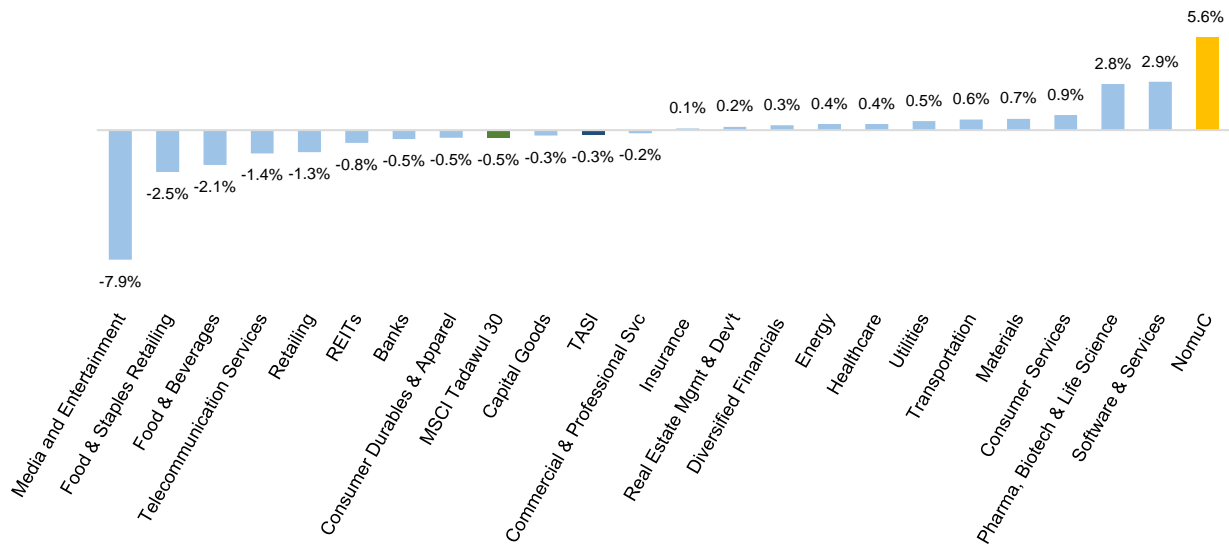
Tadawul

The TASI fell 0.3 percent and closed at 10,795 points. 'Software & Services' led other sectors for the third consecutive week with a 2.9 percent increase after Arab Sea Information Systems rose 6 percent. 'Pharma, Biotech, & Life Science' and 'Consumer Services' followed with 2.8 percent and 0.9 percent gains, respectively. 'Media & Entertainment' posted the biggest loss for the third straight week, dropping 7.9 percent. The NomuC parallel market index finished up 5.6 percent while the MSCI Tadawul 30 index fell 0.5 percent to close the week at 1,437 points.



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Tadawul Weekly Index Performance - July 16, 2021



Source: Tadawul, USSBC

Savola Group signed an agreement through its subsidiary, Savola Foods Group, to acquire nuts company Bayara Holding for SAR975 million (\$260 million). In a Tadawul filing, Savola stated it would pay cash for 100 percent of Bayara's issued share capital.

Investment and Trade

- Saudi Aramco selected JPMorgan Chase & Co. and Goldman Sachs to advise on the planned sale of a multibillion-dollar stake in the company's natural gas pipeline network. Earlier this year, Aramco closed a share sale and purchase agreement of a 49 percent stake in its oil pipelines segment for SAR46.5 billion (\$12.4 billion).
- Saudi Electricity Company (SEC) closed a SAR1.9 billion (\$500 million) green financing facility with Japan Bank for International Cooperation (JBIC) to support transmission and distribution projects related to renewable interconnection, energy efficiency, and sustainability.



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- Red Sea Gateway Terminal (RSGT) completed a 40 percent equity sale to the Public Investment Fund (PIF) and COSCO Shipping Ports Limited with each party taking a 20 percent stake. RSGT currently has an annual throughput capacity of 5.2 million TEU, having doubled its annual capacity after assuming operations of the North Container Terminal in Jeddah in April 2020.
- PIF and Ares Management announced plans to offer SAR1.5 billion (\$400 million) to acquire an unspecified ownership stake in automotive company McLaren Group as part of a planned SAR2.1 billion (\$550 million) equity deal.
- Saudi Arabia's National Water Company (NWC) signed SAR3 billion (\$800 million) in agreements with 44 contractors to supply water and sewage services to 6 million people. The deals will lead to the construction of 276,000 water and 229,000 sewage connections of which 50 percent of goods inputs must be locally produced.
- LogiPoint awarded a SAR68 million (\$19 million) deal to Sahara Building Contractors for the construction of a multi-purpose warehousing complex at Jeddah Islamic Port. The new facility, Warehouse Village V, will be built on a 24,500 square-meter area within the group's Bonded and Re-Export Zone in Jeddah.
- Companies licensed by Saudi Arabia's General Authority for Military Industries (GAMI) rose 41 percent to reach 99 by the end of H1 2021. Local companies comprised 85 percent of the licensed companies while the remaining 15 percent of GAMI licenses went to mixed ownership or foreign companies.
- Saudi Aramco's Prosperity7 Ventures invested in Chinese medical rehabilitation robot firm Fourier Intelligence as part of the company's Series C+ funding round.
- U.S.-based DynCorp International LLC was awarded a SAR104 million (\$28 million) contract pertaining to maintenance support services for Saudi Arabia's Royal Saudi Land Forces Aviation Command. Work will be performed in Saudi Arabia with an estimated completion date of July 31, 2022.
- The Saudi Ports Authority (Mawani) signed a SAR375 million (\$100 million) deal with local firm United Feed Manufacturing Company for the construction of 16 silos adjacent to a grain distribution complex and a packaging factory at the Ras Al-Khair Port and the Port of Jizan.



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## Banking

Weekly money supply M1, M2, and M3 fell 0.5 percent, 1 percent, and 0.5 percent, respectively, during the week ending July 8.

## U.S. MARKETS

### U.S. Macroeconomic Developments

- Annual inflation in the U.S. accelerated to 5.4 percent in June from 5 percent in May. The figure beat forecasts and marks the highest inflation reading since August 2008. The biggest recorded price increases were used vehicles (+45 percent), gasoline (+45 percent), and transportation services (+10 percent). Core inflation, which excludes food and energy prices, rose 4.5 percent YoY.
- Retail sales rose 0.6 percent MoM in June as demand for goods remained strong despite the recent shift towards spending on services. Sales of electronics, fuel, clothing, and general merchandise rose while sales of motor vehicles declined. Overall sales are up 18 percent compared to June last year and have surged well past pre-pandemic spending levels.
- Fed Chair Jerome Powell testified last week that household and business balance sheets are quite strong and sturdy job gains are expected to continue in coming months as the public health crisis eases. While inflation is likely to remain elevated in coming months, no substantial policy shifts are expected to be made in the near-term, and the prospect of the Fed tapering its bond-buying program is “still a ways off.”

## Fixed Income

The yield on the ten-year U.S. Treasury declined to 1.31 percent.

## Equity Markets

The Dow Jones Industrial Average (DJIA) fell 0.5 percent and finished the week at 34,688 points. The S&P 500 lost 1 percent and finished at 4,327 points while the NASDAQ dropped 1.9 percent and closed at 14,427 points.



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## GLOBAL MARKETS

- Arab Light crude prices fell 1 percent and finished the week at \$73.58. Brent crude declined 3.2 percent and finished the week at \$73.13 while West Texas Intermediate (WTI) fell 4.2 percent and closed at \$71.46. Oil markets traded lower following a breakthrough deal between Saudi and the U.A.E. that would see higher baseline production from the U.A.E starting in 2022. OPEC+ talks are expected in coming weeks with anticipation of a supply increase. The International Energy Agency (IEA) reported global demand for crude rose by about 3.2 million bpd in June to reach a total of 96.8 million bpd after declining in April and May. By comparison, supply grew 1.1 million bpd and totaled 95.6 million bpd.
- The United Kingdom's trade balance unexpectedly rose to a surplus of GBP900 million (\$1.2 billion) in May as exports jumped 4.4 percent to a 16-month high and imports fell 0.6 percent. Industrial production in the U.K. also picked up 0.8 percent MoM in May and stands 2.6 percent below its pre-pandemic level. The government announced last week it would lift all remaining lockdown restrictions on July 19.
- Oman announced it would extend a national lockdown and movement ban through Eid Al-Adha until July 24. Daily positive cases in Oman peaked around 2,000 in late June and have since declined.

## THE WEEK AHEAD

- Saudi Arabia celebrates Eid Al-Adha with a public holiday from July 14 through July 25
- U.S. releases housing starts for June on July 19
- U.S. composite PMI for July releases on July 22