



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

Weekly Market Brief
Week Ending July 2, 2021

SAUDI ARABIAN MARKET

Saudi Arabia Macroeconomic Developments

- Saudi Arabia's non-oil private sector saw the fastest pickup in employment since November 2019 and further increases in sales and business confidence. IHS Markit's Purchasing Managers' Index (PMI) remained at 56.4 points in June for the second month, where the 50-point mark separates growth from contraction. Input purchases climbed and business confidence improved to a five-month high.
- Saudi Arabia's net foreign assets dropped by 0.8 percent MoM to SAR 1.62 trillion (\$433 billion) in May, according to the Saudi Central Bank. The Kingdom's investments in foreign securities also declined by SAR12.4 billion (\$3.3 billion) in May.
- The unemployment rate among Saudi nationals fell to 11.7 percent in Q1 2021, a five-year low. The overall unemployment rate declined to 6.5 percent in Q1 compared to 7.4 percent in Q4 2020. Saudi female unemployment fell from 24.4 percent to 21.2 in Q1.
- Approximately 121k Saudi nationals joined the private sector workforce in Q1 2021. The financial and insurance sector recorded the highest Saudization rate at 83 percent while the figure was 42 percent in construction and auto repair. The average monthly wage in the private sector reached SAR5,957 (\$1,588) at the end of Q1.
- Saudi Arabia announced it would suspend flights to and from the U.A.E., Ethiopia, and Vietnam due to recorded cases of the Delta coronavirus variant. The decision comes seven weeks after the Kingdom permitted fully vaccinated citizens to travel freely following a one-year ban on international flights.
- OPEC+ failed to reach an agreement at a ministerial meeting last week after the U.A.E. rejected a proposal to increase production by 2 million barrels per day (bpd) between August and the end of the year while extending the remaining supply cut through the end of 2022.

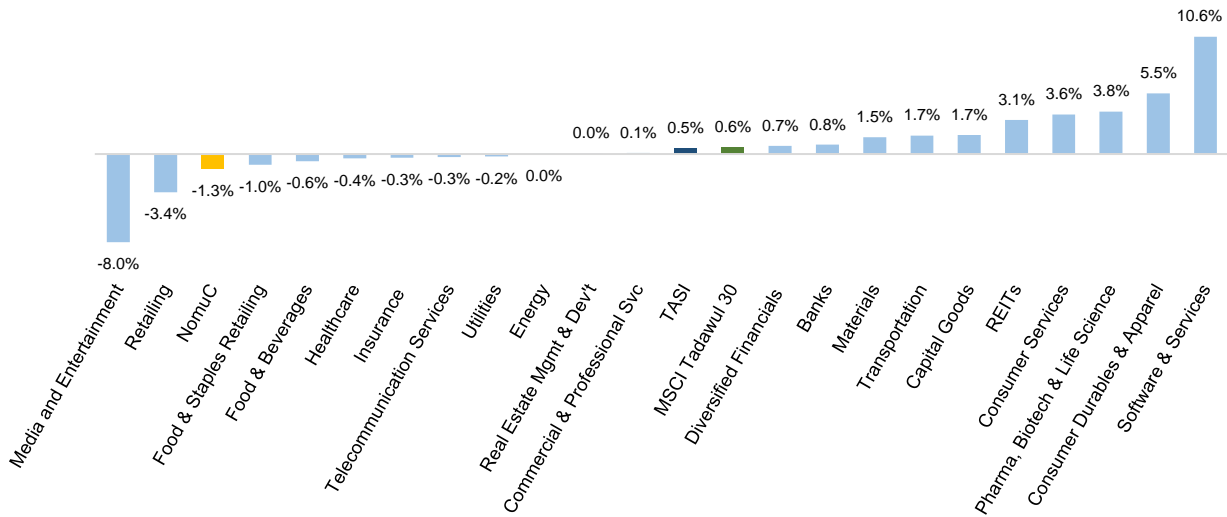


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Tadawul

The TASI rose 0.5 percent and closed at 10,979 points for its eighth consecutive weekly gain. 'Software & Services' led other sectors with a 10.6 percent increase followed by 'Consumer Durables & Apparel' and 'Pharma, Biotech, & Life Science,' which rose 5.5 percent and 3.8 percent, respectively. 'Media & Entertainment' declined 8 percent and the NomuC parallel market index lost 1.3 percent. The MSCI Tadawul 30 index rose 0.6 percent to close the week at 1,467 points.

Tadawul Weekly Index Performance - July 2, 2021



Source: Tadawul, USSBC

The Capital Market Authority approved several IPO requests last week, including ACWA Power (plans to sell 81.1 million shares or 11 percent of its share capital), Arabian Internet and Communications Services Co. (20 percent stake) on the main market. IPO requests for the Nomu parallel market included the Arabian Contracting Services Company (15 million shares or 30 percent of capital) and Banan Real Estate Co. and Canadian Medical Center Co.



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Investment and Trade

- Saudi Arabia launched a National Transportation and Logistics Strategy that includes plans to establish a second national airline, open several logistics zones, improve national public transportation capacity, and build effective partnerships with the private sector. The strategy aims to increase the contribution of the transport and logistics sectors from 6 percent of GDP to 10 percent by 2030.
- NEOM awarded China Railway Construction Corporation a contract to build access infrastructure for The Line project. U.S.-based AECOM is designing transport and utilities infrastructure for The Line while Bechtel is providing project management services.
- The Saudi Authority for Industrial Cities (MODON) announced an incentive package to encourage companies to list public shares on the Tadawul stock exchange. Incentives include preferential access to land and factory plots and access to business and utility services.
- PIF-owned Roshn awarded Siemens Energy a contract to provide engineering, supply, construction, installation, and commissioning services to the grid stations that will connect the Riyadh Community project to the national grid.
- Saudi firm MAS signed an agreement with Argentine biotech company Biogenesis Bago to locally manufacture a vaccine for foot-and-mouth disease and set up a specialized research center in the Kingdom.
- The Ministry of Investment signed a five-year agreement with Johnson & Johnson's Janssen Pharmaceuticals to enhance the biotech business landscape in the Kingdom by collaborating on clinical trials, advanced research, and intellectual property legislation.
- Le Cordon Bleu International Institute signed an agreement with the Ministry of Culture to establish a culinary educational institute in Riyadh using branding, resources, and expertise of Le Cordon Bleu's culinary and hospitality program.

Banking

Weekly money supply M1 rose 0.3 percent, M2 declined 0.1 percent, and M3 rose 0.1 percent during the week ending June 24.



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U.S. MARKETS

U.S. Macroeconomic Developments

- The U.S. economy added 850k jobs in June while the unemployment rate ticked up to 5.9 percent. The private sector added 692k jobs with hiring gains seen in leisure & hospitality (+343k) and education (+269k). Weekly jobless claims also reached a post-pandemic low as several states wind down extended unemployment benefits. Demand for labor also remains strong.
- U.S. consumer confidence rose to a 16-month high in June amid labor market optimism and strong demand for durable goods. Continued demand for home purchases is expected to drive housing inflation as supply continues to lag. Consumers indicated they expect to make more purchases in air travel, restaurants, and hospitality.
- Construction spending slipped 0.3 percent in May, though overall spending is up 7.5 percent from the same period last year. Housing construction rose 0.2 percent with single-family homes picked up 0.8 percent while apartments and multifamily remained flat. Non-residential construction spending fell 1.1 percent as the hotel segment remains down 23 percent over the past year.

Fixed Income

The yield on the ten-year U.S. Treasury declined to 1.44 percent.

Equity Markets

The Dow Jones Industrial Average (DJIA) rose 1 percent and finished the week at 34,786 points. The S&P 500 gained 1.7 percent and finished at 4,352 points while the NASDAQ rose 1.9 percent and closed at 14,639 points. During June, DJIA lost 0.1 percent while the S&P and NASDAQ rose 2.2 percent and 5.5 percent, respectively.



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GLOBAL MARKETS

- Arab Light crude prices rose 0.2 percent and finished the week at \$74.83, a two-year high. Brent crude remained flat at \$76.17 while West Texas Intermediate (WTI) rose 1.5 percent and closed the week at \$75.16. During June, Arab Light prices rose 8.1 percent, Brent crude rose 8.4 percent, and WTI rose 9.7 percent. A major OPEC+ meeting ended without an agreement after a Saudi proposal to raise output by about 2 million bpd through the end of the year and keep some cuts in place through the end of 2022 was rejected by the U.A.E. U.S. energy firms added five more operating oil and natural rigs last week.
- China's Caixin PMI slowed to the softest gain in 14 months but remained in expansionary territory, reaching 50.6 points in June compared to 53.8 points in May. Inflationary pressures eased considerably while employment ticked down slightly. The service sector remained in growth territory at 50.3 points as was the manufacturing sector's 51.3 points despite dampened supply chain challenges and stagnating export sales.
- U.A.E. non-oil private sector business conditions continued to improve at a gradual pace in June with PMI ticking down to 52.2 points but remaining above the 50-point mark. The rate of output growth remained unchanged at the end of Q2 while supply shortages weakened new sales.

THE WEEK AHEAD

- U.S. releases FOMC meeting minutes on July 7
- U.S. release weekly employment figures on July 8
- Saudi Arabia releases industrial production index for May on July 11