



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

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Weekly Market Brief  
*Week Ending August 13, 2021*

SAUDI ARABIAN MARKET

Saudi Arabia Macroeconomic Developments

- Saudi government revenues rose 85 percent YoY in Q2 to reach SAR248 billion (\$66.1 billion), according to the Ministry of Finance. Oil revenues (+38 percent) and non-oil revenues (+203 percent) both rose sharply from pandemic lows. 'Taxes on goods and services' (+544 percent) was the biggest category driving non-oil revenue growth, reflecting the value-added tax (VAT) hike last year.
- Saudi government expenses rose 4 percent YoY in Q2, totaling SAR253 billion (\$67.5 billion). The increase was primarily due to an 8 percent rise in current expenditures such as social benefits (+101 percent) and goods & services (+30 percent). Expenditures were offset by significant reductions in capital expenses (-25 percent), subsidies (-57 percent), and grants (-79 percent).
- Saudi Arabia's fiscal deficit stood at SAR4.6 billion (\$1.2 billion) at the end of Q2 2021, bringing the H1 2021 deficit to SAR12 billion (\$3.2 billion). A rebound in oil revenues during H1 2021 kept the deficit low, accounting for only 8 percent of the full-year 2021 budgeted SAR141 billion (\$38 billion) deficit.
- Foreign investor licenses issued in Saudi Arabia reached 478 in Q1 2021, growing 36 percent YoY (+2.6 percent QoQ) and reaching the highest level since government data was made available in 2005. Nearly a quarter (114 licenses) were issued for the manufacturing sector, followed by the construction sector (78 licenses), retail & e-commerce (78 licenses), and professional & scientific (62 licenses).
- Consumer prices in Saudi Arabia rose 0.4 percent YoY (+0.2 percent MoM) in July, marking a full year since the Kingdom tripled its VAT rate on July 1, 2020. The Saudi Central Bank (SAMA) expects inflation to ease in Q3 as the VAT impact subsides and the government's recent gas price cap keeps consumer energy prices low.

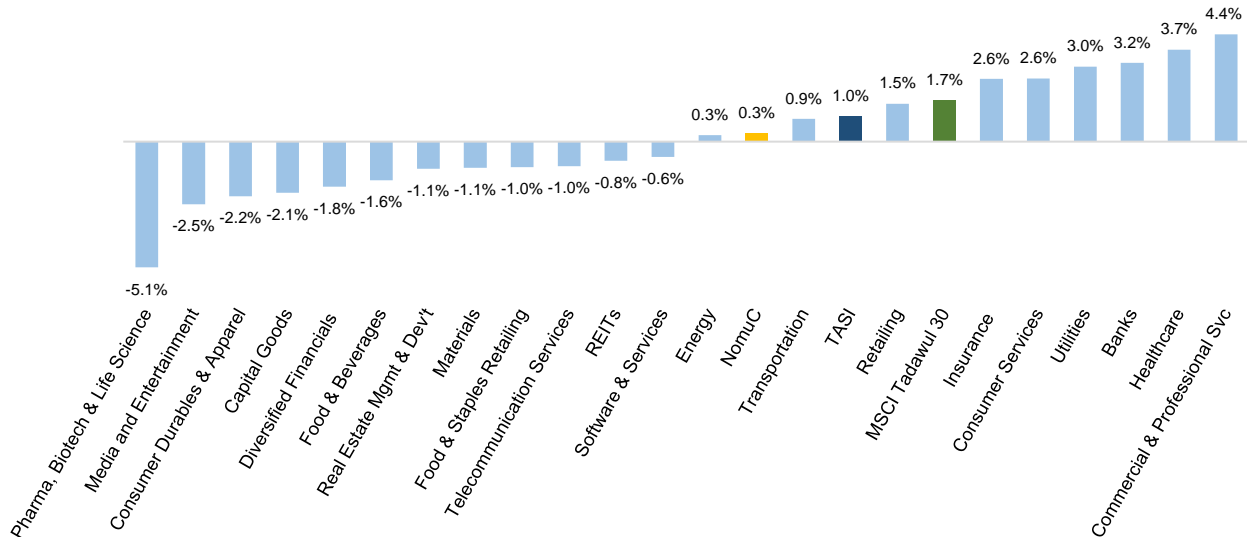


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Tadawul

The TASI rose 1 percent and closed at 11,324 points as ‘Commercial & Professional Services’ rose 4.4 percent followed by ‘Healthcare’ and ‘Banks,’ which rose 3.7 percent and 3.2 percent, respectively. ‘Pharma, Biotech, & Life Science’ dropped 5.1 percent and accounted for the biggest loss for the second straight week. The NomuC parallel market index finished up 0.3 percent while the MSCI Tadawul 30 index gained 1.7 percent to close the week at 1,532 points.

Tadawul Weekly Index Performance - August 13, 2021



Source: Tadawul, USSBC

Saudi Aramco’s net income totaled SAR95.5 billion (\$25.5 billion) in Q2, a nearly four-fold annualized increase supported by higher oil prices and strong recovery in oil demand. The company is reportedly seeking deals similar to its oil pipelines stake sale to offer investors. It also plans to expand its hydrogen segment over the near-term and will boost production capacity to 550,000 barrels per day (bpd) by 2025.



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## Investment and Trade

- The U.S. Army Corps of Engineers released two market research notices seeking contractors to develop sites at or near unnamed Saudi military bases near Jeddah and Al-Taif. U.S. Central Command (CENTCOM) stated in January it would evaluate King Fahd Airbase and other sites as contingency logistics hubs to enable supply and reinforcement operations.
- U.S.-based Duck Donuts opened its first location in Riyadh after signing a franchise agreement to open ten stores in 2019. The company will sub-franchise its ten locations in partnership with local firm Anjal Arabia Trading & Contracting Co. over the next five years.
- Al Moammar Information Systems Co. (MIS) signed an agreement with Saudi Fransi Capital to establish a private technology investment fund with an initial target size of SAR150 million (\$40 million). The fund will pursue investments in software, consumer services, digital services, and healthcare.
- Saudi mining firm Al-Masane Al-Kobra Mining Company (Amak) awarded South Africa's Senet a major contract for design and EPC works at the Moyoath copper-zinc mining project in Saudi Arabia. The project aims to build a run-of-mines (ROM) flotation process plant with a production capacity of 400,000 tons of copper and zinc concentrates per year.
- The Saudi Cabinet approved an MoU between the Ministry of Energy and Germany's Federal Ministry of Economic Affairs and Energy to explore technology and business opportunities in the field of hydrogen energy.
- The Red Sea Development Company (TRSDC) awarded a final design contract to a Saudi joint venture of Talal Kurdi Consultants and Focal Building Solutions for the Coastal Village community center complex.

## Banking

Weekly money supply M1, M2, and M3 fell 0.6 percent, 0.2 percent, and 0.2 percent, respectively, during the week ending August 5.

On a year-to-date basis, M1, M2, and M3 have risen 3.3 percent, 1.9 percent, and 4.3 percent, respectively.



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## U.S. MARKETS

### U.S. Macroeconomic Developments

- U.S. consumer prices rose 0.5 percent in July, keeping the annual inflation rate steady at 5.4 percent. The report provides support for the Federal Reserve's stance that recent inflation is "transitory" and will wane into next year. Gasoline prices (+2.4 percent) and new cars (+1.7 percent) continued to rise while car rental prices (-4.6 percent) fell. Core CPI, which excludes food and energy, rose 0.3 percent MoM in July.
- U.S. consumer sentiment tumbled 13 percent to reach 70.2 points in August, a larger-than-expected drop, and the lowest level since 2011. Analysts noted a drop of this magnitude is rare for the index, having only occurred in six other monthly surveys.
- Nonfarm labor productivity grew 2.3 YoY in Q2 as the economy's recovery spread to more labor-intensive industries like leisure and hospitality. Overall output stands 1.2 percent above pre-pandemic levels but hours worked remain 2.8 percent below that level.

### Fixed Income

The yield on the ten-year U.S. Treasury declined to 1.29 percent.

### Equity Markets

The Dow Jones Industrial Average (DJIA) rose 0.9 percent and finished the week at 35,515 points. The S&P 500 gained 0.7 percent and finished at 4,468 points while the NASDAQ lost 0.1 percent and closed at 14,823 points.

## GLOBAL MARKETS

- Arab Light crude prices fell 1.1 percent and finished the week at \$71.88, declining for the second consecutive week as the International Energy Agency (IEA) warns of slowing demand in H2 2021. Brent crude meanwhile rose 0.4 percent and finished the week at \$70.59 while West Texas Intermediate (WTI) gained 0.8 percent and closed at \$68.44. IEA lowered its 2021 global oil demand growth forecast by 100,000 bpd and indicated the increase in delta-variant cases coupled with planned expansions in OPEC+ production "stamp out lingering suggestions" of a near-term supply crunch. Earlier last week, the White House called on OPEC+ to boost oil production to keep gasoline prices lower.



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- The United Kingdom's economy grew 4.8 percent QoQ (+22.2 percent YoY) in Q2, the fastest annualized GDP growth on record. The pace reflects low base effects from the pandemic's impact last year and a rollback of COVID-19 restrictions throughout H1 2021. Household consumption surged 21 percent, imports rose 17 percent, and exports rose 2.2 percent. U.K. GDP remains 4.4 percent below pre-pandemic levels.
- Japan's economy grew 0.3 percent QoQ (+1.3 percent YoY) in Q2 following a contraction in Q1 as exports and business investment picked up. A slowdown in domestic consumption added headwinds to the recovery of the world's third largest economy after the government introduced new stay-at-home measures due to record virus cases. Japan avoided a technical recession by posting modest growth (its first in two quarters) but rising delta-variant cases and semiconductor shortages will prove challenging for Q3 economic activity.

#### THE WEEK AHEAD

- U.S. releases retail sales for July on August 17
- U.S. releases Federal Reserve meeting minutes on August 18
- Saudi Arabia releases trade balance figures for June on August 24