



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

Weekly Market Brief
Week Ending August 6, 2021

SAUDI ARABIAN MARKET

Saudi Arabia Macroeconomic Developments

- Saudi Arabia's economy grew 1.5 percent in Q2 YoY (+1.1 percent QoQ), the first growth rate since the onset of the COVID-19 pandemic according to the General Authority for Statistics (GASat). Non-oil GDP grew 10.1 percent YoY (+1.3 percent QoQ) while oil GDP declined 7 percent (+2.5 percent QoQ). On a quarterly basis, the oil sector outpaced the non-oil sector for the first time since 2019.
- Saudi Arabia's non-oil private sector economy continued to expand in July as IHS Markit's Purchasing Managers' Index (PMI) registered 55.8 points but declined from June's 56.4 points. The pace of job creation was slower as non-oil firms work through backlogs. New orders grew at a slower pace and business optimism fell while output and purchasing activity remained high.
- Point-of-sale (POS) transactions in Saudi Arabia rose by 4.6 percent YoY in June, totaling SAR38.7 billion (\$10.3 billion). ATM transactions in Saudi Arabia declined by 4 percent YoY in H1. E-commerce transactions rose, having almost doubled in H1 2021 compared to last year. On an annual basis, POS transactions in "Hotels" and "Restaurants & Cafes" grew while higher cost purchases such as "Electronics" and "Jewelry" declined YoY given the impact of big purchases in June 2020 ahead of the VAT hike.
- Saudi Arabia's reserve assets rose 2 percent MoM in June to reach SAR1.67 trillion (\$445.9 billion). The Kingdom raised its two largest reserve segments, foreign deposits and foreign securities, by 5.5 percent and 0.5 percent, respectively. The Kingdom's reserves stand 0.4 percent lower on an annual basis and roughly 10 percent lower than pre-pandemic levels.
- New mortgage lending continued to slow down in June as financing provided by banks fell 15 percent to reach SAR7.5 billion (\$2 billion) MoM. The average mortgage size was SAR428,000. New lending, which hit record highs through Q4 2020 and Q1 2021, has now cooled to the lowest level since September 2019.



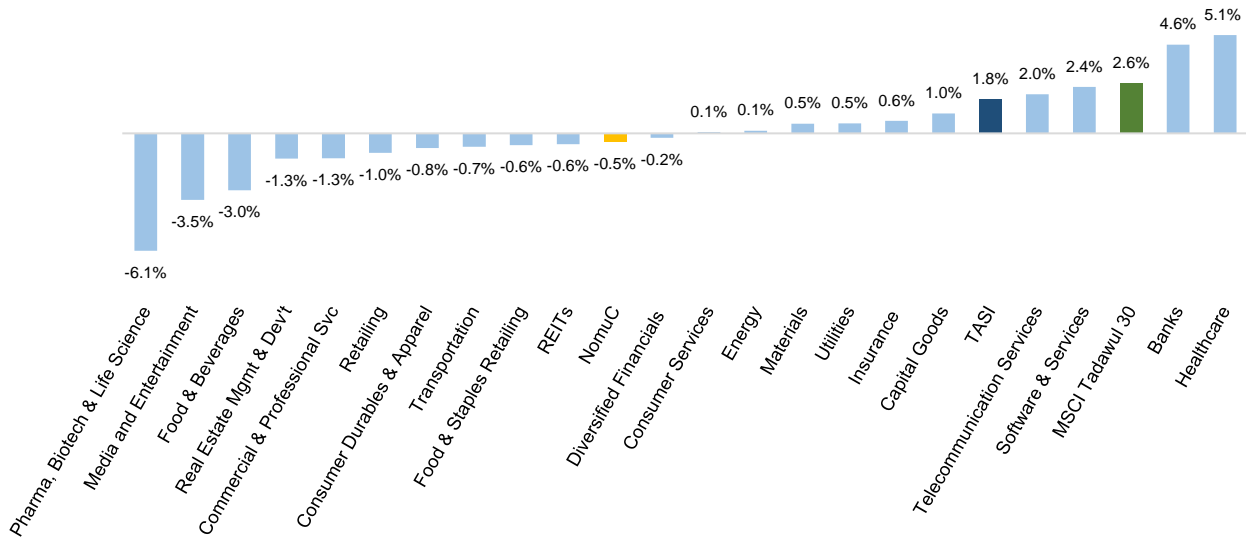
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- Saudi Arabia announced that vaccinated foreign pilgrims will be allowed to perform Umrah starting this August with an initial capacity of 60k people per month. The number of pilgrims will be increased every month up to 2 million.

Tadawul

The TASI rose 1.8 percent and closed at 11,209 points, the highest level since 2008. 'Healthcare' rose 5.1 percent followed by 'Banks' and 'Software & Services,' which rose 4.6 percent and 2.4 percent, respectively. 'Pharma, Biotech, & Life Science' dropped 6.1 percent. The NomuC parallel market index finished down 0.5 percent while the MSCI Tadawul 30 index gained 2.6 percent to close the week at 1,506 points.

Tadawul Weekly Index Performance - August 6, 2021



Source: Tadawul, USSBC

Tanmiah Food Company was listed on the Tadawul following an initial public offering of 30 percent of its share capital, which raised a total of SAR402 million (\$107.2 million) on August 4.



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Investment and Trade

- Unlicensed suppliers will be disallowed from importing fruits and vegetables into Saudi Arabia starting August 9 following new rules from the Ministry of Environment, Water and Agriculture. All suppliers must obtain updated import licenses that will be valid for 3 to 10 years.
- NEOM invited international banks to bid for a financial advisory contract for a new independent water producer (IWP) project that will supply the majority of water to the entire NEOM project. NEOM plans to use advanced reverse osmosis and hybrid technologies to achieve over 60 percent recovery and zero liquid discharge.
- Saline Water Conversion Corp (SWCC) signed an EPC contract with Metito and Saudi Services for Electromechanic Works for a new seawater reverse osmosis plant in Jubail. The estimated project cost is SAR2.6 billion (\$700 million). The plant will hold capacity to treat 1 million cubic meters of water per day.
- U.S. water technology company Mycelx Technologies secured a SAR7.9 million (\$2.1 million) new contract and a twelve-month extension to an existing contract in Saudi Arabia for its proprietary wastewater management solutions which have been deployed in the Kingdom for more than ten years.
- Global property developer Retal partnered with U.S.-based Alpha Capital to launch the Saudi Alpha Capital Fund for Real Estate Development with expected initial investments of SAR500 million (\$133 million) to develop a coastal road project between Dammam and Al Khobar.

Banking

Weekly money supply M1, M2, and M3 rose 0.2 percent, 0.5 percent, and 0.7 percent, respectively, during the week ending July 29.



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U.S. MARKETS

U.S. Macroeconomic Developments

- The U.S. economy netted 943,000 new jobs in July, beating expectations and posting the fastest increase since August 2020. Average hourly earnings increased by 4 percent YoY while the labor force participation rate ticked up to 61.7 percent, the highest level since the pandemic. The U.S. unemployment rate dropped from June's 5.9 percent to 5.4 percent in July, the lowest level since March 2020.
- U.S. manufacturing PMI rose to 63.4 points in July from June's 62.1 points, due to an upturn in production linked to booming demand. Services PMI stood at 59.9 points, in line with the flash estimates of 59.8 points but lower than June's 64.6 points, due to strong domestic and foreign demand. Composite PMI registered 59.5 points from June's 63.7 points, with softer new orders and substantial inflationary pressures.
- The U.S. trade deficit rose 6.7 percent in June to a record high \$75.7 billion as a strong rise in imports again outpaced an increase in exports. Imports rose 2.1 percent MoM to \$283.4 billion, the highest on record, while exports rose 0.6 percent and have yet to return to pre-pandemic levels.

Fixed Income

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

Equity Markets

The Dow Jones Industrial Average (DJIA) rose 0.8 percent and finished the week at 35,209 points. The S&P 500 gained 0.9 percent and finished at 4,437 points while the NASDAQ rose 1.1 percent and closed at 14,836 points.



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GLOBAL MARKETS

- Arab Light crude prices fell 4.1 percent and finished the week at \$72.67. Brent crude lost 7.9 percent and finished the week at \$70.30 while West Texas Intermediate (WTI) fell 8.2 percent and closed at \$67.89. Oil markets had the worst week in ten months as fears surrounding the delta coronavirus variant cast doubts on demand outlook.
- China's Caixin manufacturing PMI edged lower to 50.3 points in July, down from June's 51.3 points as new orders declined for the first time since May 2020. The PMI reading was also the lowest since April 2020 and saw output grow at the lowest rate in 16 months. Caixin services PMI meanwhile increased to 54.9 points in July from June's 50.3 points, supported by new order growth and rising employment levels.
- U.A.E.'s PMI jumped to a two year high of 54 points in July, up from June's 52.5 points amid strong output and new orders while employment rose at the fastest pace since January 2019. Domestic demand played a significant role in the recovery. Despite easing of restrictions, overall business expectations declined for the first time in eight months.

THE WEEK AHEAD

- Saudi Arabia releases industrial production index for June on August 10
- U.S. releases inflation figures for July on August 11
- Saudi Arabia releases inflation figures for July on August 15