



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

Weekly Market Brief
Week Ending August 27, 2021

SAUDI ARABIAN MARKET

Saudi Arabia Macroeconomic Developments

- Saudi Arabia's non-oil exports rose 7.2 percent MoM to reach SAR23.6 billion (\$6.2 billion) in June. Oil, which accounted for 72 percent of total exports, rose 1.6 percent MoM and totaled SAR61.2 billion (\$16.3 billion). Imports rose 2.5 percent MoM. Saudi Arabia's trade balance increased another 4 percent MoM in June to reach a SAR38.7 billion (\$10.3 billion) surplus.
- The value of U.S.-Saudi trade rose 13 percent MoM in June, totaling SAR11 billion (\$2.9 billion). Saudi exports to the U.S. rose 27 percent MoM due to a greater volume of crude oil, organic chemicals, plastics, and fertilizer exports. U.S. exports to Saudi Arabia declined 4 percent in June and totaled SAR4.4 billion (\$1.2 billion). Top U.S. exports to Saudi Arabia by value were motor vehicles, aircraft parts, and soybeans.
- Saudi small and medium enterprises (SMEs) will be granted a three-year exemption from commercial registration fees and reduced other fees in the fourth and fifth year of operation, according to the Ministry of Commerce. The policy aims to support and lessen the cost of starting a business in Saudi Arabia.
- Saudi Arabia will allow direct entry of fully vaccinated expatriates with an iqama from the remaining countries on the travel suspension list, according to the Ministry of Interior. Authorities had previously allowed direct entry for Saudi citizens and some foreign officials. Other passenger categories are required to spend a 14-day quarantine in a third country before entering the Kingdom.

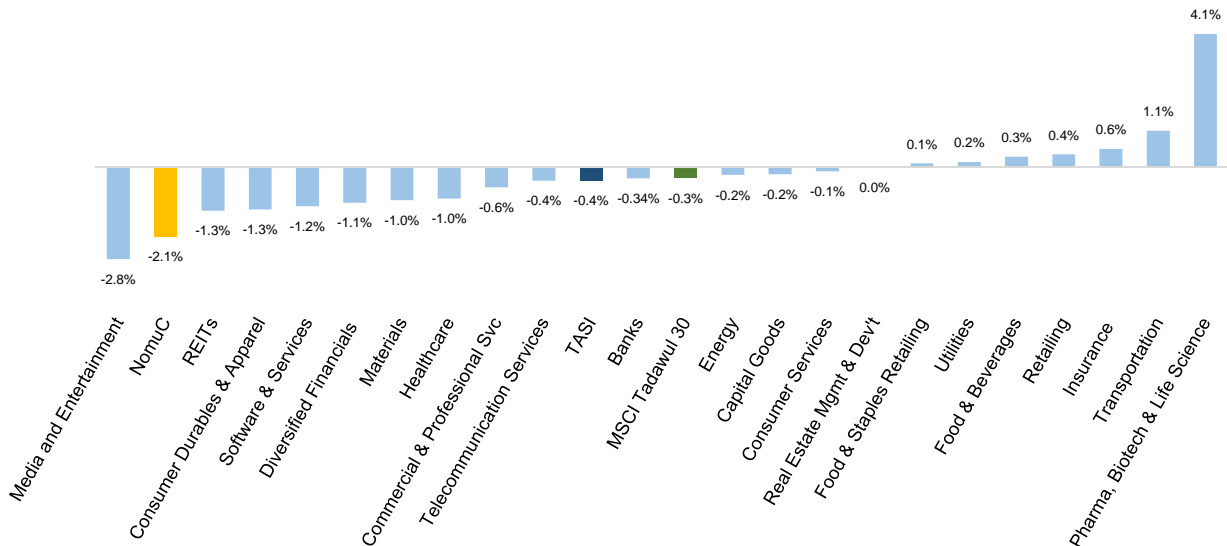


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Tadawul

The TASI fell 0.4 percent and closed at 11,157 points despite 'Pharma, Biotech, & Life Science' rising 4.1 percent followed by 'Transportation,' which rose 1.1 percent. Most sectors finished the week in negative territory again, led by 'Media & Entertainment,' which dropped 2.8 percent. The NomuC parallel market index finished down 2.1 percent and the MSCI Tadawul 30 index lost 0.3 percent to close the week at 1,510 points.

Tadawul Weekly Index Performance - August 27, 2021



Source: Tadawul, USSBC

Saudi Telecom Company (STC) subsidiary Solutions by STC, also known as The Arabian Internet and Communications Services Company, will launch an initial public offering (IPO) on the Tadawul with the issuance of 24,000,000 shares that represent 20 percent of the company's issued share capital.



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Investment and Trade

- Saudi Arabia announced SAR4.5 billion (\$1.2 billion) in new tech initiatives, including the manufacture of the first Saudi-made smart chip to drive local talent development and boost the global competitiveness of Saudi Arabia as a tech hub. Saudi Arabia aims to attract foreign and local investment worth over SAR75 billion (\$20 billion) in the fields of data and AI by 2030 and wants to develop customized applications for use of Arabic language in AI algorithms and softwares.
- Saudi Arabia's industrial sector attracted investments worth SAR70.1 billion (\$18.7 billion) this year through July, according to the Ministry of Industry & Mineral Resources (MIMR). The Kingdom approved the establishment of 48 new industrial factories and 78 total new industrial units.
- MIMR launched its first drone for a geophysical survey project outside Riyadh to provide accurate geological data about mineral deposits in the Arabian Shield. This marks the first project initiated under the Kingdom's SAR2 billion (\$533 million) general geological survey initiative.
- The Royal Commission of Al Ula (RCU) awarded local firm Mofarreh Al-Harbi & Partners a contract to provide roads, pavement, and traffic signaling for the Al Ula megaproject in Madinah Province. RCU is currently seeking companies to provide project management services for the Sharaan hotel resort.
- Advanced Electronics Company (AEC), a subsidiary of Saudi Arabian Military Industries (SAMI) signed an agreement with Prince Sultan Advanced Technology Research Institute (PSATRI) to manufacture Sky Guard unmanned aerial vehicles (UAVs) for surveillance and reconnaissance.
- Saudi Arabia approved two additional COVID-19 vaccines, the China-developed Sinovac and Sinopharm vaccines, for use within the Kingdom. There are currently four other vaccines approved for use in Saudi Arabia: Oxford-AstraZeneca, Pfizer-BioNTech, Johnson & Johnson, and Moderna.



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Banking

Weekly money supply M1 and M2 rose 0.5 percent and 0.2 percent, respectively, while M3 declined 0.1 percent during the week ending August 19.

On a year-to-date basis, M1, M2, and M3 have risen 2.6 percent, 1.7 percent, and 4.1 percent, respectively.

U.S. MARKETS

U.S. Macroeconomic Developments

- Personal income grew by 1.1 percent MoM while spending increased by 0.3 percent MoM in July. Goods spending meanwhile fell 1.1 percent, dragged down by motor vehicles, while spending on services rose 1 percent. The core PCE index, which excludes food and energy, ticked up by 0.3 percent in July, the smallest gain in 5 months.
- Durable goods orders fell 0.1 percent MoM in July, the first monthly decline since April. Orders for vehicle and parts (+5.8 percent) and machinery (+2.9 percent) rose strongly while civil aircraft orders tumbled nearly 50 percent. Non-defense capital goods, excluding aircraft, remained unchanged after June's 1 percent uptick.
- Manufacturing PMI fell to 61.2 points in August from July's 63.4 points with new orders slowing slightly. The rate of both input and output price inflation was the fastest on record. Services PMI slowed to 55.2 points from July's 59.9 points, the weakest pace of expansion since Dec 2020, with new export orders falling for the first time since February.

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 1 percent and finished the week at 35,456 points. The S&P 500 gained 1.5 percent and finished at 4,509 points and the NASDAQ rose 2.8 percent and closed at 14,130 points.



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GLOBAL MARKETS

- Arab Light crude rose 7.4 percent and finished the week at \$72.81. Following some of the steepest losses of the year from the prior week, oil markets posted the strongest weekly gains in over a year. Brent crude rose 11.5 percent and finished the week at \$72.70 while West Texas Intermediate (WTI) gained 10.3 percent and closed at \$68.74. Some U.S. energy firms in the Gulf of Mexico shut down production ahead of Hurricane Ida's landfall.
- Dubai's non-oil economy picked up in July with headline PMI hitting 53.2 points. This marks the second-highest level in 20 months, helped by a rise in consumer spending that boosted sales in the travel & tourism and wholesale & retail sectors. This was also a driver of employment as firms reported hiring new staff, leading to the fastest rate of job creation since November 2019.
- Germany's GDP rebounded by 1.6 percent QoQ (+9.4 percent YoY) in Q2, up from a downwardly revised 2 percent contraction in Q1. Both private consumer (+3.2 percent) and government spending (+1.8 percent) supported growth in Q2. Germany's Ifo business climate index declined by 1.3 points to 99.4 in August despite expectations of a 5-point decline.

THE WEEK AHEAD

- U.S. releases balance of trade figures for July on September 2
- U.S. releases employment figures for August on September 3
- Saudi Arabia PMI report for August is released on September 5