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Weekly Market Brief  
*Week Ending October 1, 2021*

SAUDI ARABIAN MARKET

Saudi Arabia Macroeconomic Developments

- Saudi Arabia released its 2022 pre-budget statement that indicates reduced spending and revenues resulting in a faster-than-expected reduction of the national deficit. Spending will total SAR955 billion (\$255 billion) while revenues are expected to reach SAR903 billion (\$241 billion) in 2022. The government expects the deficit to reach SAR85 billion (\$23 billion) in 2021, followed by SAR52 billion (\$14 billion) in 2022, and flip to a surplus by 2023.
- Saudi Arabia expects 2.6 percent real GDP growth in 2021 with annual GDP totaling SAR3.1 trillion (\$827 billion). The government expects annual inflation to average 3.3 percent in 2021, reflecting residual inflationary effect of the value-added tax increase, before cooling to 1.3 percent in 2022. The target inflation rate for 2023 and 2024 stands at 2 percent.
- S&P Global Ratings affirmed Saudi Arabia A-/A-2 credit rating with a stable outlook. Higher oil prices, easing of production quotas, strong fiscal buffers, and widespread vaccine rollout will support an economic rebound through 2022, according to S&P. Government efforts to eliminate the deficit and fund non-oil diversification initiatives amid a strong oil market were also cited as key positives for the Kingdom's credit rating.
- The value of real estate transactions grew 19 percent YoY in August-September 2021, reaching SAR15.6 billion (\$4.2 billion). Commercial deals rebounded from pandemic lows, rising 93 percent YoY to SAR5.2 billion (\$1.4 billion) while residential deals declined 6 percent YoY. The total value of real estate deals in August-September hit the highest level since April-May as Saudi commercial real estate market heats up.
- The unemployment rate among Saudi citizens fell to a decade-low of 11.3 percent in Q2, down from 11.7 percent in Q1. Male unemployment among Saudi citizens fell to 6.1 percent while female unemployment rose slightly to 22.3 percent. Labor force participation rate fell slightly to 49.4 percent but remained above pre-pandemic levels.



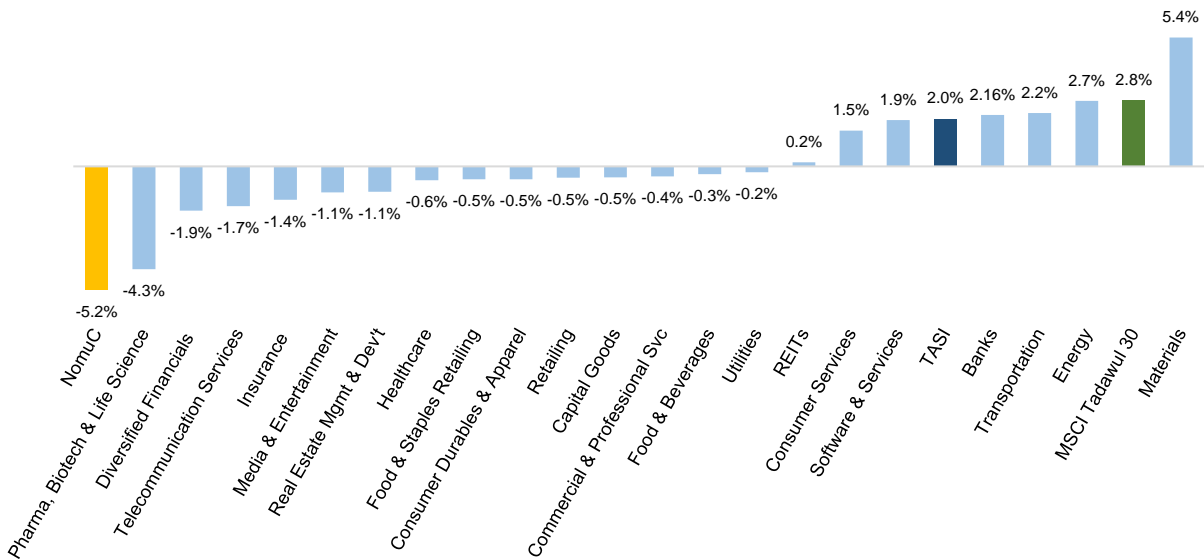
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- The Saudi Central Bank (SAMA) extended its deferred payment measures for small and medium enterprises (SMEs) by another three months. The measures have been extended repeatedly since March 2020 to offset the impact of pandemic restrictions on SMEs. The temporary measures have been officially extended through the end of 2021.

Tadawul

The TASI rose 2 percent last week and closed at 11,496 points. ‘Materials’ led other sectors with a 5.4 percent gain, followed by ‘Energy’ and ‘Transportation,’ which rose 2.7 percent and 2.2 percent, respectively. ‘Pharma, Biotech, & Life Science’ posted the biggest loss, dropping 4.3 percent. The NomuC parallel market index declined 5.2 percent while the MSCI Tadawul 30 index gained 2.8 percent to close the week at 1,571 points. During the month of September, the TASI rose 2.1 percent.

Tadawul Weekly Index Performance - October 1, 2021



Source: Tadawul, USSBC

- The Capital Market Authority (CMA) approved the share sale applications of four companies in the Nomu market - Jahez International Company for Information and Technology, Nayifat Finance Co., Group Five Pipe Saudi Co. and East Pipes Integrated Company for Industry.



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- ACWA Power, which set the final price of its IPO at SAR56 (\$14.90) per share, received orders of SAR1.13 trillion (\$300.4 billion) from institutional investors to which it plans to allocate 90 percent of the 81.2 million offered shares.
- FTSE Russell announced the inclusion of Saudi Arabia in the FTSE Emerging Markets Government Bond Index (EMGBI) effective April 2022. It is expected to include 42 government sukuk which would comprise 2.75 percent of the index on a market value-weighted basis.

#### Business, Trade, & Investment

- Saudi Aramco, Air Products, and ACWA Power signed and finalized agreements and project financing worth SAR45 billion (\$12 billion) for an air separation unit (ASU) and gasification joint venture at Jazan Economic City. Air Products and its subsidiary Air Products Qudra will hold a 51 percent ownership stake in the venture which will operate the ASUs, gasification, and power assets from Saudi Aramco for a 25-year period.
- Saudi Water Partnership Company (SWPCC) announced a SAR2.4 billion (\$630 million) deal with a consortium of private developers for three new sewage plants in Madinah, Qassim, and Tabuk. The projects will utilize sequencing batch reactor technology and solar power to reduce grid electricity consumption. The developer consortium includes local firms Saudi Arabian Amiantit Co., Saudi Industrial Services Co., Tamasuk, and Spain's Acciona. Read more about Saudi privatization efforts in our [Privatization Economic Brief](#).
- The National Industrial Development & Logistics Program (NIDLP) and Ajlan & Bros Holding Group, Abiliti, signed agreements with two Australian firms for project works valued at SAR50 billion (\$13 billion) in the Kingdom's mining sector. The agreements include the establishment of a mining services company with a consortium of companies by Australia's Resolve Mining Solutions Co., development of a metals trading platform with the Australian Exchange Co., and development of a manufacturing chain for titanium metal with the Advanced Metal Industries Cluster.
- The Tourism Development Fund (TDF) signed two financing agreements with Dallah Al-Baraka Group and Dallah Real Estate Company for the development of the Durrat Al-Arous resort in Jeddah. Operational agreements were also signed with local firm 17Sixty and international hotel chain Hotel Indigo.



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- Diriyah Gate Development Authority (DGDA) signed a SAR2 billion (\$533 million) agreement to deliver a major infrastructure package for the Wadi Safar project component of the Diriyah Gate megaproject. Wadi Safar spans 60 square kilometers and includes hotels and various accommodations.
- Saudi Basic Industries Corp. (SABIC) launched a collaboration with Microsoft to manufacture a computer mouse with 20 percent recycled ocean plastic. The Microsoft design team collaborated with technologists at SABIC to provide feedback on prototypes made with the new resin.
- U.S.-based Baker Hughes announced its subsidiary, Bently Nevada, signed a five-year agreement with SABIC to supply asset performance management services. Bently Nevada will provide plant-wide condition monitoring and machine asset protection for more than 1,200 SABIC assets located at 16 sites across Saudi Arabia.
- King Abdullah International Medical Research Center (KAIMRC) signed an agreement with Philadelphia-based Rockland Immunochemicals for a long-term partnership supporting research and development concerning biotechnology and infectious diseases in Saudi Arabia.
- The Red Sea Development Company (TRSDC) revealed a new tourism project designed by U.S. firm Oppenheim Architecture called 'Desert Rock.' The tourist resort will comprise 48 villas, 12 hotel rooms, and a range of accommodations carved into the rock massif. Site preparation works are underway as construction began in July 2021.
- H.R.H. Crown Prince Mohammed bin Salman announced a new strategy to develop the Asir region into a global tourist destination by attracting investments totaling SAR50 billion (\$13.3 billion). The strategy includes a mix of mid-priced and luxury accommodations, a focus on agricultural tourism, and a goal of adding 130,000 jobs to the Asir region.

## Banking

Weekly money supply M1, M2, and M3 fell 0.6 percent, 0.5 percent, and 0.2 percent respectively during the week ending September 23.

On a year-to-date basis, M1, M2, and M3 have risen 1.1 percent, 0.6 percent, and 3.7 percent, respectively.



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## U.S. MARKETS

### U.S. Macroeconomic Developments

- Personal income grew by 0.2 percent while spending increased by 0.8 percent in August. Personal saving as a percentage of disposable income fell to 9.4 percent. The personal consumption expenditure (PCE) index rose 4.3 percent YoY in August as energy prices rose 24.9 percent and food prices rose 2.8 percent. Both the PCE and core PCE, which excludes food and energy prices, were the highest in more than 30 years.
- Durable goods orders rose 1.8 percent MoM in August with orders for non-defense aircraft and parts surging by 78 percent alongside a 7 percent gain in capital goods orders. Manufacturing goods orders were also up 3.3 percent. Non-defense capital goods excluding aircraft rose just 0.5 percent.
- Consumer confidence dropped to a seven-month low in September as rising COVID cases led some states to reintroduce business restrictions while some sectors were hit hard by storms and wildfires. Despite the drop, the share of consumers reporting available job opportunities rose the highest level on record.

### Fixed Income

The yield on the ten-year U.S. Treasury increased to 1.48 percent.

### Equity Markets

The Dow Jones Industrial Average (DJIA) fell 1.4 percent and finished the week at 34,327 points. The S&P 500 lost 2.2 percent and finished at 4,357 points and the NASDAQ dropped 4 percent and closed at 14,449 points. During September, DJIA fell 4.4 percent, the S&P fell 4.9 percent, and the NASDAQ declined 5.4 percent in the worst month for U.S. equities since March 2020.



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## GLOBAL MARKETS

- Arab Light crude rose 0.5 percent and finished the week at \$76.63. Global benchmark Brent crude rose 1.5 percent and finished the week at \$79.28 while West Texas Intermediate (WTI) gained 2.6 percent and closed at \$75.88. Oil prices settled near a three-year high as the U.S. added seven oil & gas rigs and markets awaited the upcoming OPEC+ meeting. Following the OPEC+ meeting earlier today in which the group reaffirmed its commitment of gradual increases in oil output, Brent prices soared past \$80. During September, Arab Light rose 4.5 percent while Brent crude rose 7 percent and WTI rose 8.4 percent.
- China's official NBS manufacturing PMI unexpectedly slipped below the 50-point mark in September, indicating an overall contraction of private sector business. The official reading of 49.6 points, down from August's 50.1 points, was the lowest point since February 2020. Output, new orders, and exports sales all contracted with a power crisis adding new uncertainty to ongoing supply shortages that have hammered manufacturers. Employment levels also dropped for the sixth consecutive month.
- India's manufacturing sector continued to expand in September as businesses rebound from the pandemic-related contraction in the early summer. IHS Markit's PMI for India rose to 53.7 points as factory orders and overall output expanded at a quicker rate. Strong demand for scarce products contributed to higher input costs. Indian manufacturers also reported a substantial pickup in new work from international markets.

## THE WEEK AHEAD

- U.S. releases trade balance figures for August on October 5
- Saudi Arabia PMI for September releases October 5
- U.S. releases September employment figures on October 8