



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

Weekly Market Brief
Week Ending September 24, 2021

SAUDI ARABIAN MARKET

Saudi Arabia Macroeconomic Developments

- Saudi Arabia's non-oil exports rose 18 percent YoY (-12 percent MoM) to reach SAR20.8 billion (\$5.5 billion) in July. Oil accounted for 78 percent of total exports, rising 17 percent MoM and totaling SAR71.6 billion (\$19.1 billion) amid high demand from Asia. Compared to last month, Saudi exports rose 8 percent while imports fell 3 percent. The Kingdom's trade balance increased another 22 percent MoM to reach a SAR46.1 billion (\$12.3 billion) surplus.
- The value of U.S.-Saudi trade rose 45 percent YoY (-20 percent MoM) in July, totaling SAR9.1 billion (\$2.4 billion). Saudi exports to the U.S. were up 80 percent YoY (-36 percent MoM). Oil exports to the U.S., India, and South Korea were lower while China and Japan had higher demand for Saudi crude. U.S. exports to Saudi Arabia meanwhile rose 24 percent YoY (+3 percent MoM) in July and totaled SAR4.8 billion (\$1.3 billion). China remained the Kingdom's top trading partner while the U.S. registered as Saudi Arabia's second largest import source and its sixth largest export market.
- Saudi Arabia's holdings of U.S. Treasuries increased for the second consecutive month in July, totaling SAR480.4 billion (\$128.1 billion). The Kingdom's holdings were up 0.2 percent from June and 2.8 percent from July last year. However, holdings remain well below their peak of SAR691.5 billion (184.4 billion) in February 2020. Saudi Arabia is the 16th largest sovereign holder of U.S. debt.
- A total of 571,333 expatriates left the Kingdom's employment market from both the government and private sectors during the one-year period ending Q2 2021, representing an 8.5 percent decline. The total number of expatriates in the Saudi labor market fell to 6.14 million, according to the General Organization for Social Insurance (GOSI).

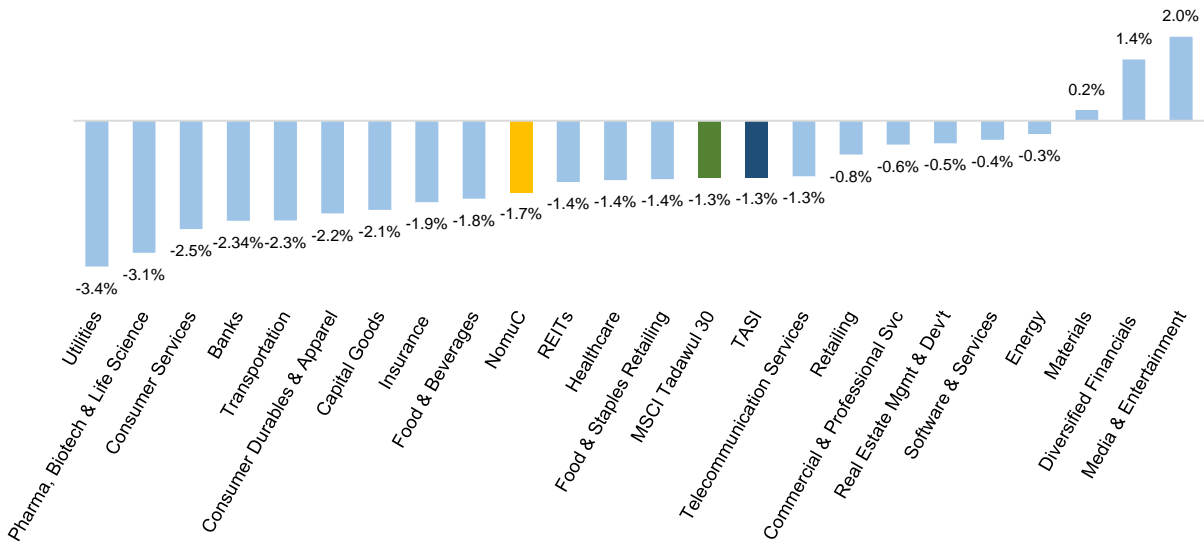


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Tadawul

The TASI fell 1.3 percent last week and closed at 11,271 points. ‘Media & Entertainment’ led other sectors again with a 2 percent gain, followed by ‘Diversified Financials’ and ‘Materials,’ which rose 1.4 percent and 0.2 percent, respectively. All other sectors finished in negative territory with ‘Utilities’ posting the biggest loss, dropping 3.4 percent. The NomuC parallel market index declined 1.7 percent while the MSCI Tadawul 30 index fell 1.3 percent to close the week at 1,549 points.

Tadawul Weekly Index Performance - September 24, 2021



Source: Tadawul, USSBC

Solutions by STC (also known as Arabian Internet & Communications Services Co.) raised SAR3.6 billion (\$966.4 million) after closing institutional and retail subscriptions for its initial public offering (IPO) on the Tadawul. The STC subsidiary plans to list 20 percent of its share capital on the exchange.



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Business, Trade, & Investment

- Saudi Arabia will announce its first green debt deal “soon”, according to the governor of the Public Investment Fund (PIF). PIF-owned The Red Sea Development Company (TRSDC) stated it plans to raise up to SAR26.3 billion (\$7 billion) in green financing next year to finance nine new hotel projects. The PIF announced last week that TRSDC would absorb Amaala, a separate but related tourism megaproject.
- Construction on NEOM's ‘The Line’ megaproject, a 170-kilometer, zero-carbon, urban development project, will start by the end of this year. More than 150 design and construction companies reportedly visited NEOM in the past month to explore partnership opportunities.
- Saudi Arabia’s National Water Company (NWC) awarded a French-Saudi consortium led by France’s Veolia and Alkhorayef Water & Power a SAR358 million (\$95.4 million), seven-year contract to manage water services and treatment in Riyadh. The Kingdom has tendered several water management contracts as part of Saudi Arabia’s [Privatization Program](#).
- King Salman Energy Park (SPARK) and global firm Hutchison Ports signed an agreement to form a joint venture to manage and operate the dry port and bonded logistics zone at the SPARK industrial complex. Bonded zones are part of the Kingdom’s strategy to boost its global profile as a logistics hub, covered in our [Logistics Economic Brief](#).
- Italy’s Saipem signed an agreement with Saudi Aramco under Aramco’s Namaat Industrial Investment Program to explore the establishment of a new local entity for executing engineering and construction activities. Aramco recently announced major expansions in the Namaat Program by signing 22 new MoUs and a joint venture agreement worth a reported SAR 90 billion (\$24 billion).
- Saudi Aramco is set to award U.S. energy contractor McDermott International three offshore brownfield work contracts worth a combined value exceeding SAR2.3 billion (\$600 million). The contracts entail EPCI works to modify and build new structures at the Abu Safah, Ribyan, Safaniya, and Zuluf oil and gas fields.
- India’s Larsen & Toubro Hydrocarbon Engineering (L&T) was awarded a contract by Air Products Middle East for the industrial gas hub network project in Jubail. L&T will construct a steam methane reformer, an air separation unit, and hydrogen pressure swing adsorption units. The size of the contract was estimated around SAR887 million (\$237 million).



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- Ohio-based LSI Chemical announced a distributor partnership with Jeddah-based Diamond Island Contracting Co. to supply fuel and oil additives for downstream refinery operations to the Middle East.

Banking

Weekly money supply M1, M2, and M3 fell 0.5 percent, 0.3 percent, and 0.3 percent respectively during the week ending September 16.

On a year-to-date basis, M1, M2, and M3 have risen 1.6 percent, 1 percent, and 3.9 percent, respectively.

U.S. MARKETS

U.S. Macroeconomic Developments

- The Federal Reserve stated it would taper monthly bond purchases as soon as November and may raise interest rates more quickly than expected. The Federal Open Market Committee's (FOMC) policy statement showed half of the 18 Fed officials support raising rates next year. The central bank now expects inflation to hit 4.2 percent this year.
- U.S. private sector firms signaled an expansion in output during September, albeit at the slowest pace for a year. IHS Markit's Purchasing Managers' Index (PMI) registered 54.5 points in September from last month's 55.4 points. The manufacturing sector continues to see resilient demand, but factories are still reporting supply chain delays and labor shortages hitting business.
- Housing starts rose 3.9 percent MoM to a 1.62-million-unit pace in August. Building permits increased 6 percent MoM to a rate of 1.73 million units. Single family building permits gained just 0.6 percent while multi-unit building permits surged 19.7 percent, the fastest jump in thirty years.

Fixed Income

The yield on the ten-year U.S. Treasury increased to 1.47 percent.



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Equity Markets

The Dow Jones Industrial Average (DJIA) rose 0.6 percent and finished the week at 34,798 points. The S&P 500 gained 0.5 percent and finished at 4,456 points and the NASDAQ inched up 0.02 percent and closed at 15,047 points.

GLOBAL MARKETS

- Arab Light crude rose 2.7 percent and finished the week at \$76.28. Global benchmark Brent crude rose 3.7 percent and finished the week at \$78.09 while West Texas Intermediate (WTI) gained 2.8 percent and closed at \$73.98. Oil prices touched a three-year high last week as output disruptions forced energy firms and governments to tap reserves. The U.S. oil and gas sector added 10 operating rigs, and China initiated its first public sale of state crude reserves last week.
- Japan's private sector economy saw a further downturn in business activity in September registering a PMI of 47.7 points, though the rate of decline eased for new orders and overall output. Firms broadly reported intensifying price pressures. Employment still improved in both the manufacturing and service sectors. The manufacturing sector also posted a return to growth of new export orders. Saudi Arabia is Japan's top crude oil supplier.
- Eurozone private sector activity expanded in September with PMI 56.1 points but was dampened by ballooning input prices and persistent supply delays. Inflows of new orders rose at the slowest pace since April with manufacturing and services demand slipping from the strong levels seen in the summer. At last week's European Central Bank meeting, policy rates were left unchanged at the historic low of 0.1 percent, but the Bank warned that inflation could exceed 4 percent through 2022, well exceeding its 2 percent target.

THE WEEK AHEAD

- U.S. releases durable goods orders for August on September 27
- Saudi Arabia releases Q2 labor market statistics on September 30
- Saudi Arabia PMI for September releases October 5