



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

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Weekly Market Brief  
*Week Ending October 22, 2021*

SAUDI ARABIAN MARKET

Saudi Arabia Macroeconomic Developments

- Saudi Arabia's non-oil exports rose 27 percent YoY (+8.9 percent MoM) to reach SAR23 billion (\$6.1 billion) in August. Oil accounted for 74 percent of total exports, totaling SAR66.2 billion (\$17.7 billion). Compared to last month, Saudi exports fell 3 percent while imports rose 7 percent. The Kingdom's trade balance narrowed 13 percent to reach a SAR38.8 billion (\$10.4 billion) surplus.
- The value of U.S.-Saudi trade ticked down 1.6 percent MoM (+23 percent YoY) in August, totaling SAR9.2 billion (\$2.5 billion). U.S. exports to Saudi Arabia rose 2 percent MoM (+13.3 percent YoY) while Saudi exports to the U.S. fell 6 percent MoM (+37.2 percent YoY). China remained the Kingdoms' top trading partner. The U.S. remained Saudi Arabia's sixth largest export destination and its second largest source of imports.
- Saudi Arabia lowered its holdings of U.S. Treasury securities by 3.1 percent in August, according to the Department of the Treasury. The Kingdom's SAR465.4 billion (\$124.1 billion) in U.S. Treasuries was the lowest since May 2020. Saudi Arabia now ranks as the 17<sup>th</sup> largest sovereign holder of U.S. debt.
- Real estate prices in Saudi Arabia rose 0.5 percent YoY in Q3, according to the Ministry of Justice. Residential real estate prices rose 1.1 percent YoY while commercial real estate prices declined 0.7 percent.

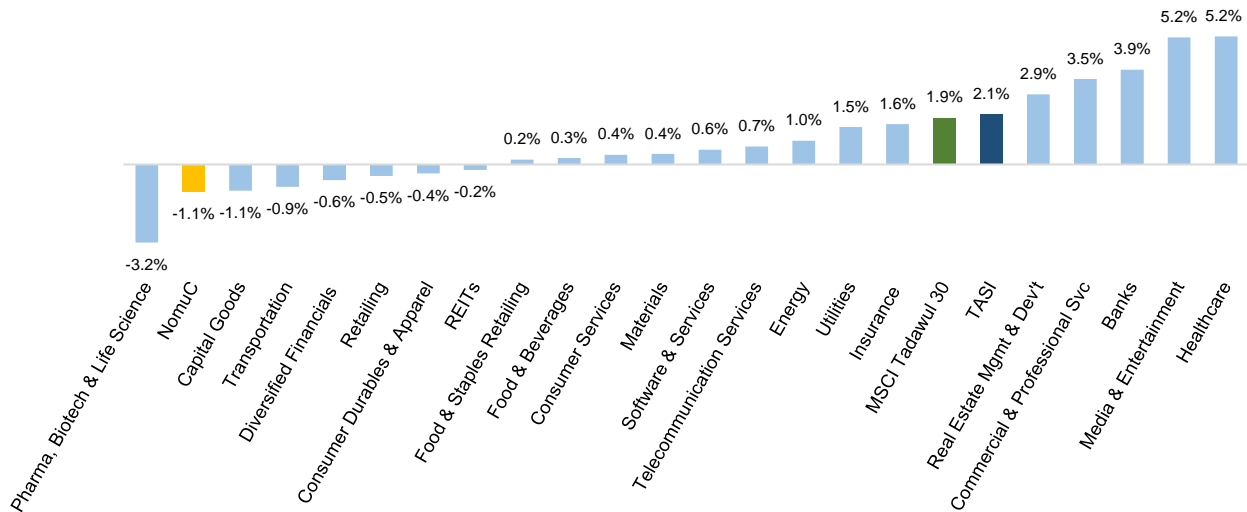


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Tadawul

The TASI rose 2.1 percent last week and closed at 11,940 points, reaching a 15-year high. 'Healthcare' led all sectors with a 5.2 percent gain, followed by 'Media & Entertainment' and 'Banks', which rose 5.2 percent and 3.9 percent, respectively. 'Pharma, Biotech, & Life Science' posted the biggest loss, dropping 3.2 percent. The NomuC parallel market index fell 1.1 percent while the MSCI Tadawul 30 index gained 1.9 percent to close the week at 1,650 points.

Tadawul Weekly Index Performance - October 22, 2021



Source: Tadawul, USSBC

- Morgan Stanley stated MSCI Saudi Arabia was the best performing country index this year and upgraded its investor guidance to “overweight.” The financial services firm expects high Saudi stock valuations to persist and noted that foreign positioning in Saudi Arabia has started to pick up.
- Tadawul Group reportedly plans to introduce regulatory incentives for tech startups backed by venture capital firms to accelerate their listing on the Saudi stock exchange.



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## Business, Trade, & Investment

- Saudi Arabia set a target of net zero emissions by 2060 and plans to eliminate 278 million tons of CO2 by 2030 ahead of a U.N. climate summit next weekend. The initiative involves investments of SAR700 billion (\$187 billion) over the next several decades. Saudi Arabia hosts the inaugural Middle East Green Initiative in Riyadh today.
- Saudi Arabia will launch strategic development offices for three Saudi regions – Al-Baha, Al-Jouf, and Jazan. The offices are intended to drive private investment that target the distinct features of each region, including tourism, sustainable agriculture, and water management.
- Saudi Arabia’s Capital Market Authority (CMA) launched its fifth round of fintech sandbox licensing and will accept applications from fintech startups until December 15. SAMA started the first sandbox in 2018 and has since licensed 17 companies in five different financial product areas.
- Chinese firms Huawei and SEPCOIII will partner to deliver key energy storage facilities for Saudi Arabia’s Red Sea Project. The project, developed by Saudi firm ACWA Power, includes the power integration of a 400 MW solar photovoltaic plant currently under construction at NEOM
- Saudi Aramco and France’s TotalEnergies launched the first two service stations of their joint retail network in Riyadh and the Eastern Province. Saudi Aramco, which operates several fuel stations in East Asia and North America, stopped selling fuel under its own brand in Saudi Arabia in the 1960s.
- Saudi Arabian Cricket Federation (SACF) signed an agreement with India’s JSW Sports to provide advisory services for the development of Saudi Arabia’s sports infrastructure. Learn more about Saudi Arabia’s development plans for the sports sector in our [2021 Sports Sector Update](#).
- Saudi Arabia’s Saline Water Conversion Corp (SWCC) plans to boost the private sector’s contribution to water desalination from two million cubic meters currently to seven million by 2026. Learn more about the Kingdom’s water privatization strategy in our [2021 Privatization Update](#).



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## Banking

Weekly money supply M1, M2, and M3 rose 0.3 percent, 0.6 percent, and 0.5 percent respectively during the week ending October 7.

On a year-to-date basis, M1, M2, and M3 have risen 2.9 percent, 2.4 percent, and 5.5 percent, respectively.

## U.S. MARKETS

### U.S. Macroeconomic Developments

- The Federal Reserve's Beige Book, a periodic evaluation of economic conditions, revealed "modest to moderate" economic growth in the U.S. economy alongside "significantly elevated prices" and wage pressures due to supply chain disruptions and labor shortages. The Fed will officially address inflation concerns and plans to scale back its massive bond-buying program on November 3
- Industrial production fell 1.3 percent MoM in September with motor vehicle production dropping 7.2 percent. According to the Fed, approximately 0.6 percent of the decline in industrial production reflected the effects of Hurricane Ida. Capacity utilization slipped to 75.2 percent from last month's 76.2 percent as supply chain delays drive higher prices and delayed production.
- U.S. housing starts declined 1.6 percent MoM to a 1.56-million-unit pace in September, the lowest in four months. Building permits meanwhile plunged 7.7 percent, reflecting higher building materials costs and mortgage rates. Existing home sales still grew 7 percent in September. However, first-time buyers accounted for just 28 percent of the sales, the lowest share since 2015.

## Fixed Income

The yield on the ten-year U.S. Treasury increased to 1.66 percent.

## Equity Markets

The Dow Jones Industrial Average (DJIA) rose 1.1 percent and finished the week at 35,677 points. The S&P 500 gained 1.6 percent and finished at 4,545 points and the NASDAQ rose 1.3 percent and closed at 15,090 points. U.S. equity markets saw another strong week due to better-than-expected corporate earnings while news about China's Evergrande averting a default has eased fears of a greater global economic crisis.



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## GLOBAL MARKETS

- Arab Light crude fell 1.2 percent and finished the week at \$82.47. Global benchmark Brent crude rose 0.8 percent and finished the week at \$85.53, while West Texas Intermediate (WTI) gained 1.8 percent and closed at \$83.76. Oil prices remained near 3-year highs with most grades posting their seventh consecutive weekly gain. U.S. Energy Information Administration (EIA) data showed crude stocks at the Cushing, OK storage hub fell to their lowest level since October 2018. Supply remains tight heading into colder months amid lingering fears of a corresponding increase in virus infections.
- Japan's private sector economy moved into growth territory for the first time since April. PMI rose to 50.7 points from 47.9 points last month, indicating an overall expansion in economic activity. Both the manufacturing and service sectors saw a pickup in inflation, but Japan's manufacturing sector was primarily responsible for the bounce back. Despite supply chain issues across the board, new orders and exports in the manufacturing sector returned to growth.
- Eurozone business activity slowed to a six-month low in October amid supply bottlenecks, inflationary pressures, and ongoing COVID concerns. IHS Markit's Purchasing Managers' Index (PMI) registered 54.3 points in September, down from 56.2 points last month. The manufacturing sector saw production growth fall the fastest since the initial COVID lockdowns last year and the service sector saw the fastest price increases in 21 years.

## THE WEEK AHEAD

- U.S. releases durable goods orders for September on October 27
- U.S. releases Q3 GDP estimate on October 28
- Saudi Arabia PMI for October released on November 3