



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

Weekly Market Brief
Week Ending November 5, 2021

SAUDI ARABIAN MARKET

Saudi Arabia Macroeconomic Developments

- Saudi Arabia's non-oil private sector economy continued to grow at a strong pace in October, according to IHS Markit's Purchasing Managers' Index (PMI). October PMI reached 57.7 points (last month 58.6) as non-oil output expanded at the quickest pace in almost four years. Signs of inflation were evident, but business confidence remained strong.
- Saudi Arabia is not planning to reduce the value-added tax (VAT) in the short term, according to Finance Minister H.E. Mohammed Al-Jadaan. The Kingdom raised the VAT rate from 5 to 15 percent in July 2020 to support its economy amid the COVID-19 pandemic.
- Moody's raised the outlook on Saudi Arabia's credit rating from 'negative' to 'stable' and affirmed an A1 rating for the government's medium-term note program. The rating was lowered to 'negative' in May 2020 after oil prices collapsed. Moody's stated that Saudi Arabia's debt reduction efforts and strong fiscal buffers provided support for the raised outlook.
- Point-of-sale (POS) transactions in Saudi Arabia totaled SAR39.9 billion (\$10.6 billion) in September, slipping 2.7 percent from August's record high SAR41 billion (\$10.9 billion). Mobile phone POS transactions have grown 40 percent year-to-date compared to just 3 percent growth for card transactions.
- The value of Saudi Arabia's real estate transactions rose 23 percent YoY in September-October to reach SAR14.5 billion (\$3.9 billion), according to Ministry of Justice data. In contrast to last year's residential real estate boom, commercial real estate is now the fastest growing segment of the real estate market. Residential deals increased 10 percent YoY while commercial real estate deals rose 47 percent YoY.

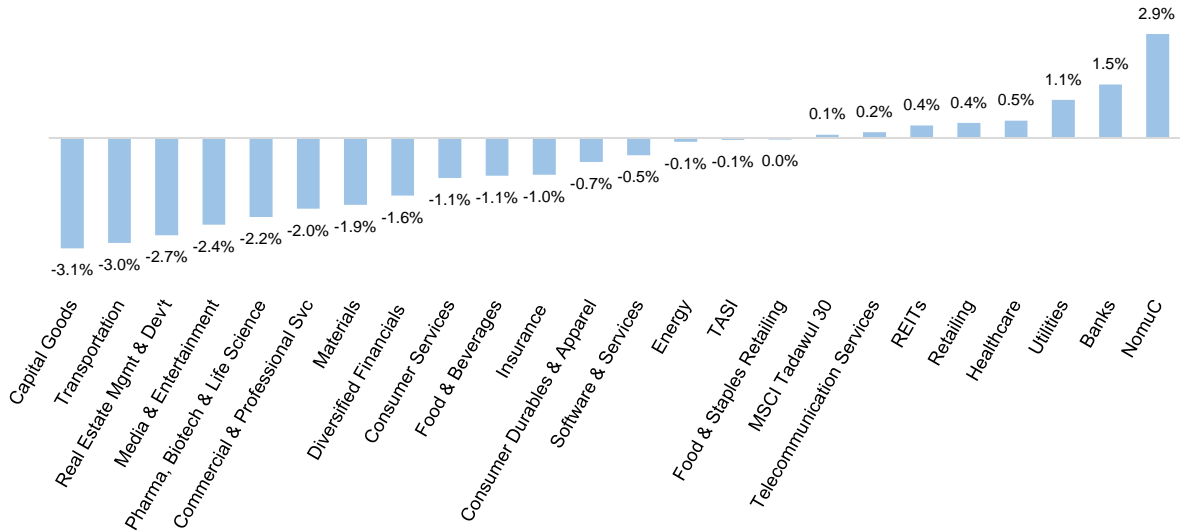


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Tadawul

The TASI fell 0.1 percent and closed at 11,752 points. ‘Banks’ led all sectors with a 1.5 percent gain, followed by ‘Utilities’ and ‘Healthcare,’ which rose 1.1 percent and 0.5 percent, respectively. ‘Capital Goods’ posted the biggest loss, dropping 3.1 percent. The NomuC parallel market index rose 2.9 percent while the MSCI Tadawul 30 index gained 0.1 percent to close the week at 1,620 points.

Tadawul Weekly Index Performance - November 5, 2021



Source: Tadawul, USSBC

- The Capital Market Authority approved Tadawul Group's request for an initial public offering (IPO) that would float 30 percent of the company, or approximately 36 million shares.
- Three additional companies announced IPO plans on Saudi exchanges, including Riyadh-based Advanced International Company and Alwasail Industrial Co on the Nomu market, and Scientific and Medical Equipment House on the main market.



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Business, Trade, & Investment

- The Real Estate Development Fund (REDF) signed a first-of-its-kind funding partnership agreement with the Saudi Real Estate Refinance Company (SRC) to refinance a real estate portfolio owned by REDF with a total value of SR10 billion (\$2.3 billion). The agreement is aimed at enhancing the financial sustainability of REDF and increasing the liquidity of the housing real estate financing market in Saudi Arabia.
- Texas-based AECOM announced a strategic partnership with the Royal Commission for Al Ula (RCU) for program management at the Al Ula megaproject. AECOM will establish an office responsible for the integration of workstreams and major initiatives during Al Ula's SAR56 billion (\$15 billion) phase-one developments.
- The U.S. State Department approved the potential sale of 280 AIM-120C air-to-air missiles in a deal valued up to SAR2.4 billion (\$650 million). The sale would mark the first major foreign military sale to Saudi Arabia since the U.S. adopted a policy to only sell defensive weapons to the Kingdom.
- Snap Inc. announced plans to launch a Creator Studio in Riyadh in 2022 to support investments in key internal markets. Saudi Arabia has the highest per-capita amount of Snapchat users in the world. Riyadh would be the second international location after Paris.
- Saudi Arabia issued permits for 745 industrial projects worth around SAR 75 billion (\$20 billion) in Q3 2021. In September, the value of investments in new industrial facilities and factories amounted to SAR 999 million (\$266 million).
- Saudi Arabia's 400 MW Dumat Al Jandal wind farm will reportedly be operational in the next few weeks. The Kingdom's first utility-scale wind farm is being developed by a consortium led by EDF Renewables in partnership with Abu Dhabi-based Masdar and Saudi Arabia's Nesma.
- Saudi Arabia's General Authority for Military Industries (GAMI) signed a partnership agreement with Saudi Arabian Military Industries (SAMI) and Prince Sultan Defense Studies and Science Research Center (PSDSARC) to manufacture the SkyGuard unmanned aerial vehicle.



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Banking

Weekly money supply M1, M2, and M3 rose 0.6 percent, 0.5 percent, and 0.2 percent during the week ending October 28.

On a year-to-date basis, M1, M2, and M3 have risen 3.9 percent, 3.1 percent, and 5.5 percent, respectively.

U.S. MARKETS

U.S. Macroeconomic Developments

- The Federal Reserve announced it would begin cutting back its monthly bond purchases in November with plans to end them in 2022, but held to its belief that high inflation would prove 'transitory' and likely not require a quick rise in interest rates.
- The U.S. economy netted 531k jobs in October and the unemployment rate fell to 4.6 percent. The biggest job gains were in leisure & hospitality (+164k), professional & business services (+100k), manufacturing (+60k), and transportation & warehousing (+54k).
- Non-farm productivity fell by 5 percent in Q3, the biggest quarterly drop since 1981, as supply chain complications have held back production across many sectors. Unit labor costs jumped by 3 percent, a combination of the productivity drop plus a 2.9 percent increase in hourly compensation. Output grew by 1.7 percent and hours worked rose by 7 percent.

Fixed Income

The yield on the ten-year U.S. Treasury decreased to 1.45 percent.

Equity Markets

The Dow Jones Industrial Average (DJIA) rose 1.4 percent and finished the week at 36,328 points. The S&P 500 gained 2 percent and finished at 4,698 points while the NASDAQ rose 3.1 percent to reach 15,972 points.



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GLOBAL MARKETS

- Arab Light crude fell 5.3 percent and finished the week at \$78.58. Global benchmark Brent crude dropped 1.9 percent and finished the week at \$82.74 and West Texas Intermediate (WTI) lost 2.8 percent and closed at \$81.27. OPEC+ renewed its commitment to a planned 400k barrel per day (bpd) supply increase on a monthly basis through April 2022. The 23-nation body led by Saudi Arabia and Russia elected not to accelerate planned production increases despite pressure from the U.S. The U.S. is reportedly considering a decision to tap its strategic petroleum reserves (SPR) to mitigate rising gasoline prices.
- Japan's private sector economy returned to growth in October (50.7 points) as manufacturers reversed September's decline (47.9 points) and expanded for the eighth time in the last nine months. The world's third largest economy also saw its service sector return to growth footing for the first time since January 2020. Business confidence reached the strongest level since March 2013. Japan will ease its border rules this week and lower the required quarantine period for inbound business travelers to three days, though general tourism remains on hold.
- U.A.E. PMI increased to 55.7 points in October from September's 53.3 reading. It was the highest reading since June 2019 as both output and new orders touched the highest levels in more than two years. Expo 2020 brought an upsurge in growth across the non-oil private sector and business optimism rose to the highest level since before the pandemic.

THE WEEK AHEAD

- Saudi Arabia releases Q3 GDP growth flash estimates on November 9
- Saudi Arabia releases industrial production index for September on November 10
- U.S. releases inflation figures for October on November 10