



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

Weekly Market Brief
Week Ending January 28, 2021

SAUDI ARABIAN MARKET

Saudi Arabia Macroeconomic Developments

- Saudi Arabia's total exports increased by 1 percent MoM (+82 percent YoY) during the month of November to a sum of SAR107 billion (\$28.5 billion). Imports rose 5.5 percent (+1.4 percent YoY) during the same period, totaling SAR49.4 billion (\$13.2 billion). The Kingdom's trade balance dropped 2.6 percent MoM but surged by 474 percent YoY, totaling SAR57.6 billion (\$15.4 billion) in November.
- Saudi exports to the U.S. rose 30.7 percent MoM (+205 percent YoY) while imports from the U.S. also increased 29.4 percent MoM (+20.3 percent YoY) in November. The U.S. ranked as the second largest source of imports into the Kingdom while also remaining the fifth largest source of exports.
- Non-oil exports increased by 11.1 percent MoM (+26.1 percent YoY) in the month November to SAR22.3 billion (\$5.9 billion), excluding re-exports of SAR3.69 billion (\$9.83 million), marking the highest level of Saudi non-oil exports on record. Meanwhile, oil exports dropped 1.3 percent MoM (+113 percent YoY) with a total value of \$81.3 billion (\$21.7 billion).
- The International Monetary Fund (IMF) reiterated its forecasts for the growth of Saudi Arabia's economy at 4.8 percent during 2022, while lowering the global economy's projection this year due to the pandemic, supply chain disruption and accelerating inflation. Its 2023 Saudi Arabia's growth forecast remained unchanged at 2.8 percent.
- Saudi Arabia plans to refinance SAR43 billion (\$11.5 billion) worth of debt in 2022, per the National Debt Management Centre. According to the 2022 budget statement, public debt will be estimated at SAR938 billion (\$250.1 billion) by the end of 2022.
- Saudi Arabia grew its natural gas production by 30 percent over the past decade to a new high of 11 billion cubic feet per day in 2020, according to the U.S. Energy Information Administration (EIA). Saudi Arabia's proven natural gas reserves were estimated at 333 trillion cubic feet as of January 2021.

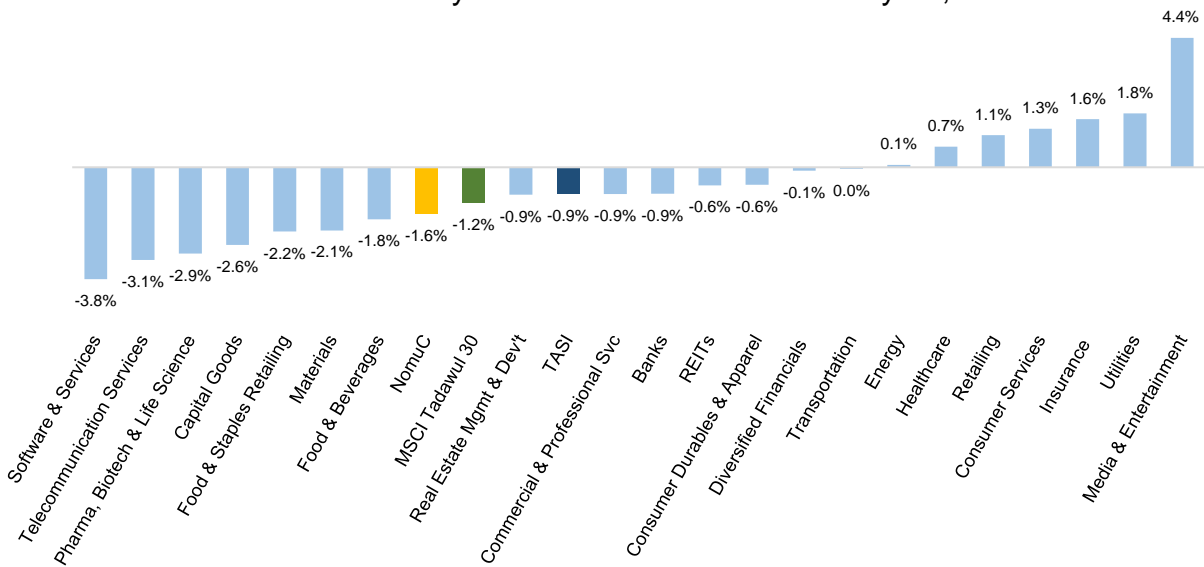


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Tadawul

The TASI fell 0.9 percent last week and closed at 12,179 points. ‘Media & Entertainment’ rose 4.4 percent, followed by ‘Utilities’ and ‘Insurance,’ which rose 1.8 percent and 1.6 percent, respectively. ‘Software & Services’ meanwhile lost 3.8 percent. The NomuC parallel market index fell 1.6 percent and the MSCI Tadawul 30 index declined 1.2 percent to close at 1,703 points.

Tadawul Weekly Index Performance - January 28, 2021



Source: Tadawul, USSBC



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Business, Trade, & Investment

- Saudi Aramco signed 50 agreements at its in-kingdom total value add (IKTVA) forum and exhibition. Leading oil and gas services players Schlumberger, TechnipFMC, Larsen & Toubro (L&T), Honeywell, Baker Hughes and Cameron were among industry players to sign agreements. The deals include partnerships on climate leadership and digitization through localization with Schlumberger; wellhead equipment localization procurement agreements with Cameron, TechnipFMC & Baker Hughes; and a pressure vessel fabrication localization deal with L&T.
- U.S. firms Emerson and Rockwell Automation signed agreements with Saudi Aramco as part of the IKTVA initiative to drive localized capacity of Saudi industries, including industrial internet of things (IIoT) and workforce training.
- Honeywell announced a new production facility for oil and gas projects in Saudi Arabia located in Jubail. The facility is part of a joint venture partnership with Elster Instromet Saudi Arabia to provide manufacturing and assembly of natural gas and liquid fuel solutions.
- Atlanta-based Inspire Brands will introduce the Arby's brand in Saudi Arabia with a series of new locations planned as part of the restaurant chain's global strategy. Inspire previously partnered with Shahia Foods Limited Co. to license Dunkin Donuts in Saudi Arabia.
- Savvy Gaming Group has acquired ESL Gaming Co. for SAR4 billion (\$1.1 billion) amid plans to merge it with the esports platform FACEIT. the deal is expected to close by Q2 of 2022. The group, backed by the Public Investment Fund, acquired the esports platform FACEIT in an earlier \$500 million deal.
- Diriyah Gate Development Company (DGDA) awarded the SAR4 billion (\$1.1 billion) "super basement" parking contract to Salini Saudi Arabia Co Ltd for the construction of a giant parking garage supporting the Saudi megaproject.
- The Saudi Industrial Development Fund (SIDF) will launch new financing products to service emerging sectors in 2022 with an estimated SAR10 billion (\$2.7 billion). The fund seeks to boost private sector investment in supply chain financing and other sectors.
- The Ministry of Environment, Water, and Agriculture (MEWA) launched 20 water and environmental projects totaling SAR3.6 billion (\$991 million). The slate included desalination facilities, water transmission systems, and expanded distribution infrastructure.



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- Saudi Arabia inaugurated a floating desalination plant near Al-Shuqaiq port to generate electricity for the Kingdom's southern cities. Bahri signed a 20-year agreement with Saline Water Conversion Corp (SWCC) to transport the desalinated water from three floating stations to storage tanks.
- The Tourism Development Fund (TDF) will invest SAR300 million (\$80 million) in the city of Taif to develop tourist infrastructure, including hotels, retail and entertainment facilities, and other designated spaces for recreation.
- The Ministry of Culture signed an agreement with the entertainment group Cirque du Soleil to host a series of live entertainment events in Saudi Arabia for the first time. The agreement includes plans to establish an academy and regional office for Cirque du Soleil in the Kingdom.
- Saudi Arabia called for all GCC nations to complete the establishment of a customs union and implement a common market by 2025.

Banking

Weekly money supply M1 rose 0.1 percent while M2 and M3 both fell 0.2 percent during the week ending January 20.



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U.S. MARKETS

U.S. Macroeconomic Developments

- Home prices rose 1.1 percent in November, continuing its trend of steady monthly gains. Prices moderated further according to the National Association of Realtors (NAR) data, which show prices now up 14.6 percent over the past year, on a three-month moving average basis, down from a recent peak of 22.9 percent hit in June 2021. Demand for single-family homes has been the main driver of rising prices.
- The Federal Reserve said it is likely to hike interest rates in March and reaffirmed plans to end its bond purchases at the same time. The Fed's hawkish stance on inflation aims to be "guided by the data" and "nimble" in reference to the pace of coming rate hikes.
- GDP rose at a 6.9 percent annualized pace in Q4, supported by consumer activity (+3.3 percent) and gross private domestic investment (+32 percent). This reading brought the full-year GDP growth rate to 5.7 percent – the strongest since 1984. Q4 growth exceeded median estimates of a 5.5 percent jump despite the impact of Omicron.
- Durable goods orders fell 0.9 percent in December, following two months of increases. Excluding transportation, core orders rose by 0.4 percent. Non-defense new orders for capital goods declined by 2.4 percent during the same period.

Fixed Income

The yield on the ten-year U.S. Treasury increased to 1.78 percent.

Equity Markets

The Dow Jones Industrial Average (DJIA) rose 1.3 percent and finished the week at 34,725 points. The S&P 500 gained 0.8 percent and finished at 4,432 points while the NASDAQ remained flat at 13,771 points at the end of a volatile week in U.S. equity markets.



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GLOBAL MARKETS

- Arab Light crude rose 2.9 percent and finished the week at \$89.17. Global benchmark Brent crude gained 2.4 percent and finished the week at \$90.03 and West Texas Intermediate (WTI) rose 2 percent and closed at \$86.82. Oil futures secured their sixth consecutive weekly gain, settling at a fresh seven-year high. Geopolitical tensions and fears of an energy supply disruption continue to put upward pressure on prices. U.S. crude oil inventories unexpectedly expanded by 2.38 million barrels in the week ending January 21, the largest increase since late October.
- China's Caixin general manufacturing PMI fell to a 23-month low of 49.1 points in January from 50.9 in December. The reading came in below market expectations and marked the second contraction in Chinese factory activity in three months. Both output and new orders shrank the most since August while new export orders fell at the steepest rate since May 2020.
- Eurozone GDP rose 0.3 percent QoQ (+4.6 percent YoY), the slowest growth in three quarters as Omicron led to more business and movement restrictions across Europe. Germany, the largest economy in the bloc, saw a 0.7 percent drop in GDP which was offset by growth in France (+0.7 percent), Italy (+0.6 percent), and Spain (+2 percent).

THE WEEK AHEAD

- Saudi Arabia PMI for January released on February 3
- U.S. releases January employment figures on February 4
- Saudi Arabia releases flash estimate for Q4 GDP on February 10