



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

Weekly Market Brief
Week Ending January 15th, 2021

SAUDI ARABIAN MARKET

Saudi Arabia Macroeconomic Developments

- Inflation rose to 3.4 percent in 2020, which was mainly attributed to the tripling of the value-added tax (VAT) in July. The primary drivers were food & beverages (+9 percent) and transportation (+3.8 percent). The inflation rate was 5.3 percent in December, the weakest level since the VAT increase, even as oil and petroleum-related product prices recovered.
- Point-of-sale (POS) transactions declined 21 percent to SAR8.5 billion (\$2.3 billion) during the week ending January 9 after hitting a post-VAT increase high last week. The four-week averages of both the number of sales transactions and the value of spending continue to trend higher with both increasing 1.6 percent last week.
- Saudi crude exports for December totaled 6.75 million barrels per day (bpd), an increase of 650k from November, according to initial assessments by Refinitiv. In accordance with the phase-2 OPEC+ agreement, Saudi Arabia maintained its overall output at 9 million bpd. Volumes of Saudi crude to China (+100k) and Japan (+375k) increased while volumes to India saw no change and volumes to South Korea declined 274k.

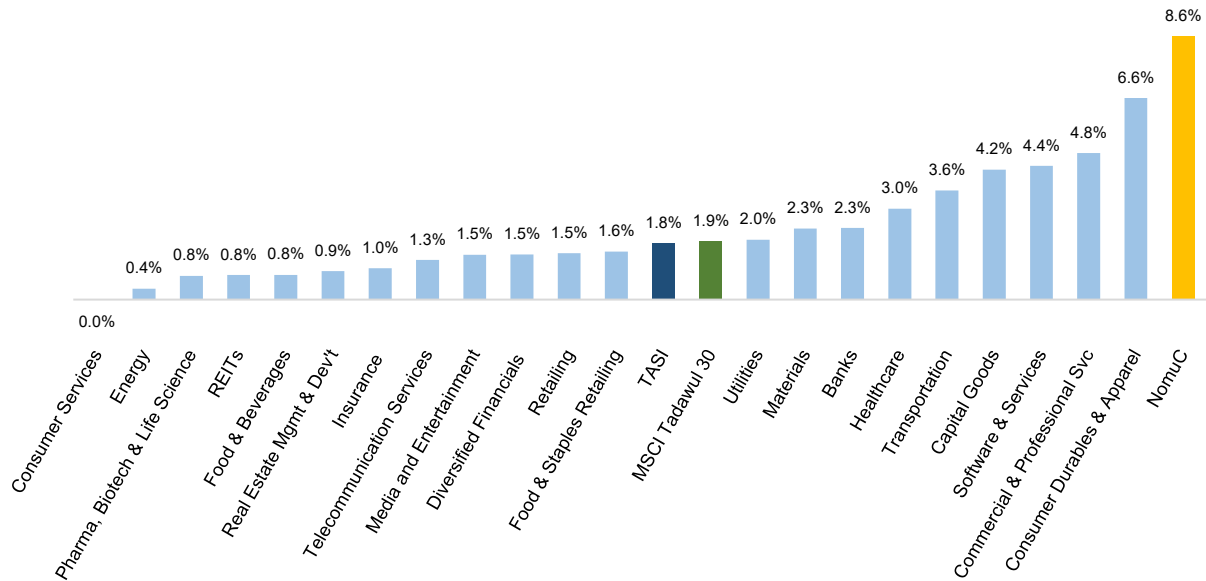
Tadawul

The TASI rose 1.8 percent to reach 8,899 points with all but one sector closing with a weekly gain as oil markets and the private sector show signs of recovery and COVID-19 cases in Saudi Arabia remain low. Consumer Durables & Apparel led the week, rising 6.6 percent, followed by Commercial & Professional Services and Software & Services which rose 4.8 percent and 4.4 percent, respectively. Consumer services remained flat while the NomuC parallel market index surged 8.6 percent. The MSCI Tadawul 30 rose 1.9 percent and finished the week at 1,196 points.



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Tadawul Weekly Index Performance - January 15, 2021



Source: Tadawul, USSBC

Saudi Basic Industries Corp (SABIC) hired NCB Capital to advise on a potential initial public offering (IPO) for its specialty chemicals unit. SABIC is also in talks with foreign banks including HSBC and JP Morgan for advisory roles in the process.

The Ministry of Finance (MoF) signed an agreement with Tadawul to expand the scope of private sector lending for companies choosing to publicly list their shares on the Saudi stock exchange. MoF's Projects Support Fund will offer special long-term loans to listed companies in sectors that include healthcare, education, and real estate development.

Investment and Trade

- NEOM plans to launch five to six projects for resort development at the planned gigaproject site with tentative plans to open in three years. The urban planning and development stages of each project are underway with further details and contract awards expected throughout 2021. Last week, NEOM announced a massive linear urban city project called 'The Line'.



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- U.S. restaurant chain BurgerFi signed an agreement with Saudi-based Food Supplies to open six restaurants in Saudi Arabia. BurgerFi plans to open its first Saudi restaurant in Burj Alfardan in Khobar City by Q4 2021.
- Philadelphia-based Hill International announced a facilities management contract with Tatweer Building Company (TBC) that includes Riyadh Schools headquarters and associated administrative buildings, consisting of more than 2,000 facilities. The entire portfolio of the deal has more than 6,000 sites.
- Saudi Arabia recorded a 35 percent YoY increase in the number of investment deals in the technology startup sector in 2020, according to a report from Magnitt and the Saudi Venture Capital Company. Saudi Arabia accounted for 18 percent of the 496 investment deals across the MENA region and recorded a 55 percent YoY increase in the value of investment deals, reaching SAR570 million (\$152 million).
- The Saudi Central Bank (SAMA) announced its intention to pursue an open banking policy to further digital innovation in the financial services space by allowing third-party financial services companies access to a variety of data through APIs. The proposed framework is tentatively scheduled to go into effect Q1 2022.
- Mexico's Cinepolis Cinemas announced it plans to invest SAR1.1 billion (\$300 million) in Saudi Arabia over the next five years to expand its presence in the Kingdom throughout local partnerships with Al-Hokair Group and Al-Tayer Group. Cinepolis recently opened two new cinemas in Jeddah and Dammam.
- Dubai-based film distributor Front Row Filmed Entertainment signed a joint venture agreement with Muvi Cinemas to form a Saudi-based distribution company, Front Row Arabia to focus on theatrical distribution of Western, Arabic-language, and Japanese anime content. Riyadh-based Muvi Cinemas is Saudi Arabia's first local cinema brand.
- Researchers at Imam Abdulrahman Bin Faisal University (IAE) announced the development of the first Saudi coronavirus vaccine. Preclinical research has been completed with the results published in The Pharmaceutical Journal of the U.K.

Banking

Weekly money supply M1, M2, and M3 rose 1 percent, 0.2 percent, and 0.3 percent respectively during the week ending January 7.



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U.S. MARKETS

U.S. Macroeconomic Developments

- Jobless claims rose to 965k during the first week of January, the highest weekly figure since August. New filings relative to the number of jobs in the economy remain higher than at the peak of the Great Recession. Continuing claims for regular benefits rose again with recipients across all programs totaling more than 18 million.
- Retail sales fell 0.7 percent in December and the prior month's figures were revised lower, despite holiday spending. E-commerce slowed sharply as digital retailers posted a 5.8 percent monthly decline in sales.
- Consumer price inflation rose 0.4 percent in December, primarily due to higher gasoline and food prices. Core inflation, which excludes more volatile food and energy prices, was a softer 0.1 percent. A rebound in travel-related costs lost momentum in December as hotel prices were unchanged and airfares declined 2.3 percent.
- Small business confidence declined 5.5 points to reach 95.9 in December, reflecting both renewed operating restrictions brought on by the resurgence of COVID cases and increased expectations of unfavorable tax and regulatory changes following November's election result. Nine of the survey's 10 components fell, led by a 24-point decline in the share of business owners expecting the economy to recover over the next six months.
- Industrial production rose 1.6 percent in December, showing minimal signs of slowdown despite the impact of COVID on the service sector in recent months. Inventories that were cleaned out earlier in 2020 are being replenished as retail sales are declining but production continues to expand.

Fixed Income

The yield on the ten-year U.S. Treasury fell this week to 1.11 percent.

Equity Markets



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The Dow Jones Industrial Average fell 0.9 percent and finished at 30,814 points. The S&P 500 also declined 1.5 percent and finished at 3,768 points while the NASDAQ fell 1.5 percent and closed at 12,998 points.

GLOBAL MARKETS

- Arab light crude rose 1.9 percent last week and closed at \$56.27 per barrel. Global benchmark Brent crude meanwhile fell 1.6 percent and finished the week at \$55.10 while West Texas Intermediate (WTI) rose 0.2 percent and closed the week at \$52.36. Oil markets continued to hold at higher levels following the OPEC+ cuts and ongoing vaccination efforts but fell lower on the news of new lockdowns in some Chinese cities due to rising COVID cases. Both Brent and WTI hit their highest levels in nearly a year during the week.
- China's economy grew 2.3 percent in 2020, according to official sources. In the final quarter of the year, GDP surged 6.5 percent. The annual growth rate is the slowest since 1976, but China is expected to be the only G20 economy to report an economic expansion in 2020.
- Egypt's private sector saw a renewed decline in business conditions as PMI fell to 48.2 in December from 50.9 in November. Amid rising coronavirus cases, new business restrictions led to an acceleration of job losses and a drop in sales. Purchasing activity also fell as lower demand has led to higher inventories for Egyptian businesses.

THE WEEK AHEAD

- Saudi Arabia releases labor market statistics for Q3 on January 20
- U.S. releases housing starts for December on January 21
- Saudi Arabia releases real estate prices for Q4 2020 on January 21
- Saudi Arabia releases international trade figures for November on January 24