



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

Weekly Market Brief
Week Ending January 29th, 2021

SAUDI ARABIAN MARKET

Saudi Arabia Macroeconomic Developments

- Saudi Arabia postponed the reopening date for air, land, and sea ports to May 17, according to the Ministry of Interior. Travel restrictions had previously been scheduled to lift on March 31. The reason for the change was reportedly a delay in the delivery of COVID-19 vaccines.
- Saudi Arabia's first international debt issuance of 2021 was more than four times oversubscribed with a total order size exceeding SAR83 billion (\$22 billion). The U.S. dollar-denominated issuance will total SAR18.8 billion (\$5 billion) with two tranches: SAR10.3 billion (\$2.8 billion) maturing in 2033 and SAR8.4 billion (\$2.3 billion) maturing in 2061. Last year, the Kingdom raised SAR (\$12 billion) via two international bond sales.
- Saudi Arabia's economy will grow 2.6 percent in 2021 and 4 percent in 2022, according to the IMF's latest forecast. The Fund lowered its GDP estimate for 2020 from a 5.4 percent contraction to a 3.7 percent contraction, but also lowered its 2021 forecast from 3.1 percent to 2.6 percent growth. The Ministry of Finance forecasts a 3.2 percent growth rate in 2021.
- Foreign direct investment (FDI) to Saudi Arabia rose an estimated 4 percent in 2020, reaching SAR17.6 billion (\$4.7 billion), according to a recent report from the United Nations Conference on Trade and Development (UNCTAD). The reported growth in FDI occurred during a 42 percent decline in global FDI in 2020 amid the coronavirus pandemic.
- According to SAMA, the total value of new residential mortgages provided to individuals by banks in 2020 was a reported SAR136.2 billion (\$36.3 billion), an 83 percent increase over 2019's SAR74.4 billion (\$19.8 billion) level. The number of residential mortgages grew from 170,000 contracts in 2019 to 289,000 contracts in 2020 where houses were the leading segment.
- Saudi ports saw a 4.4 percent YoY increase in transshipments during 2020, according to Mawani. The amount of cargo totaled 299 million tons across 11,482 ships handling 7.3 million containers. Read more about Saudi Arabia's plans to develop its logistics capacity in USSBC's [Logistics Economic Brief](#).

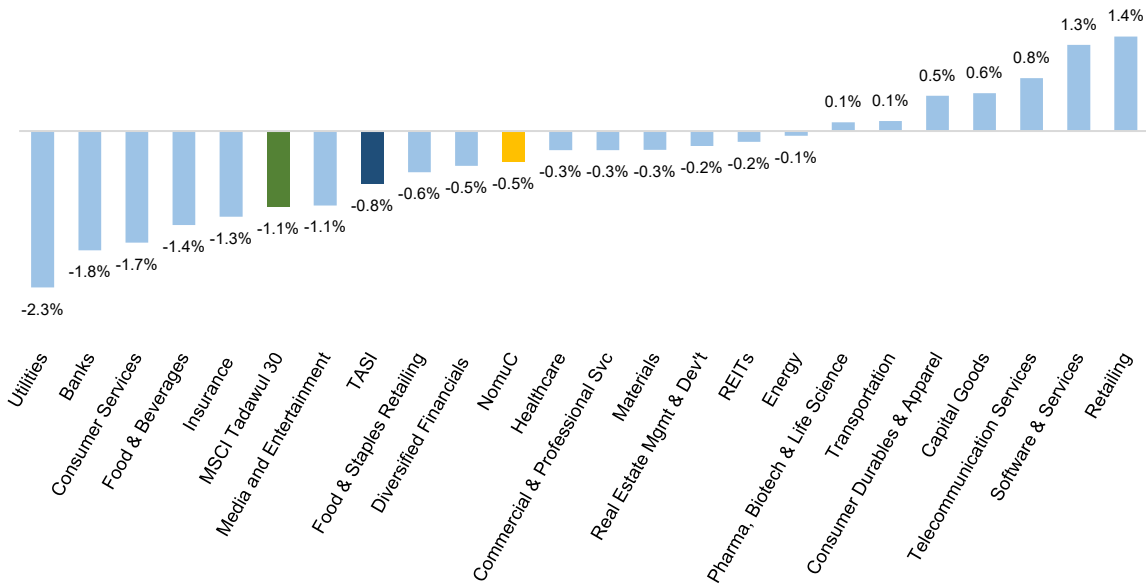


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Tadawul

The TASI fell 0.8 percent to reach 8,807 points as Retailing led with a 1.4 percent gain followed by Software & Services and Telecommunication Services which rose 1.3 percent and 0.8 percent, respectively. Utilities declined 2.3 percent after leading the prior week. The NomuC parallel market index declined 0.5 percent while the MSCI Tadawul 30 fell 1.1 percent and finished the week at 1,181 points.

Tadawul Weekly Index Performance - January 29, 2021



Source: Tadawul, USSBC

Investment and Trade

- Amazon Prime officially launched in Saudi Arabia last week, providing a range of e-commerce delivery and entertainment services. Prime membership will be offered at SAR16 (\$4.27) per month and provide two-day delivery to all major Saudi metro areas. The service will also offer free international delivery from Amazon U.S. and Amazon UAE to Saudi Arabia.
- South Korea's Doosan Heavy Industries and Construction Co. won a SAR (\$708 million) contract to build the Yanbu-4 seawater desalination plant in Saudi Arabia. The completed plant will have a capacity of 450,000 tons of fresh water per day.



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- Magic Leap, a U.S.-based augmented reality startup backed by Saudi Arabia's Public Investment Fund (PIF), signed an agreement with Saudi Aramco relating to remote collaboration and 3D visualization technologies.
- The PIF launched a new tourism company, Cruise Saudi, to develop the cruise industry in Saudi Arabia. The company will develop cruise ports and terminals in several Saudi cities as part of PIF's five-year objective to build and advance Saudi Arabia's non-oil emerging sectors. The tourism sector is seen as one of the primary pillars of Saudi economic diversification under Vision 2030.
- The PIF acquired a 20 percent stake in privately owned Red Sea Gateway Terminal Limited, which handles an annual throughput capacity of 5.2 million twenty-foot equivalent units (TEUs) at the Port of Jeddah.
- Major international companies, including U.S. companies PepsiCo, Bechtel, Schlumberger, and Boston Scientific, announced plans to establish regional headquarters in Riyadh according to Arab News. The plans were announced at the Future Investment Initiative (FII) forum last week.
- GetMuv, a Jeddah-based fitness app, secured a SAR1.8 million (\$500,000) investment from Wa'ed, Saudi Aramco's entrepreneurship investment arm. A separate fintech startup, Hakbah, raised SAR4.5 million (\$1.2 million) in seed funding after receiving regulatory approval from SAMA six months ago. A recent report from Magnitt and the Saudi Venture Capital Company showed Saudi Arabia's investments in tech startups rose 35 percent YoY last year.

Banking

Weekly money supply M1, M2, and M3 declined 0.5 percent, 0.9 percent, and 0.5 percent respectively during the week ending January 21.



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U.S. MARKETS

U.S. Macroeconomic Developments

- New home sales rose 1.6 percent in December to an 842,000-unit pace, closing the year at an 18.8 percent increase compared to 2019. It was the highest yearly total of new home sales since 2006. Still, the pace in December slowed and missed consensus expectations by 3.2 percent while last month's sales were revised lower. Mortgage purchase applications have started trending lower, but home builder confidence remains high.
- Private sector business in the U.S. showed a strong start to 2021 as IHS Markit's composite PMI rose to 58 points in January from 55.3 points the prior month. Both manufacturing and service sector growth expanded with goods producers registering the sharpest uptick in output since August 2014. Private sector firms also indicated a renewed rise in new export orders.
- Personal income rose a higher-than-expected 0.6 percent in December with government transfers accounting for an additional \$85.2 billion, more than 70 percent of the overall increase. Notably, the total does not include economic impact payments that were sent out after December's data was collected. Unemployment insurance and Provider Relief Fund money sent to hospitals and healthcare providers were the two largest increase segments.

Fixed Income

The yield on the ten-year U.S. Treasury remained flat last week at 1.1 percent.

Equity Markets

The Dow Jones Industrial Average fell 3.3 percent and finished at 29,982.6 points. The S&P 500 declined 3.3 percent and finished at 3,714 points while the NASDAQ lost 3.5 percent and closed at 13,070.7 points.



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GLOBAL MARKETS

- Arab light crude fell 1 percent last week and closed at \$55.38 per barrel. Global benchmark Brent crude meanwhile rose 0.9 percent and finished the week at \$55.88 while West Texas Intermediate (WTI) fell 0.1 percent and closed the week at \$52.20. The emergence of coronavirus variants and slow vaccine rollouts has tempered the oil market rebound that followed Saudi Arabia's voluntary supply cut in early January. A significant drawdown of U.S. oil inventories (-9 million bbl) provided some price support.
- China's official manufacturing PMI fell slightly to 51.3 in January from 51.9 in December, remaining in growth territory but hitting the weakest growth in factory activity since August. The world's second largest economy faced a resurgence of COVID-19 in some regions, leading to business restrictions. New orders, output, and export sales all expanded at a softer pace while employment levels declined.
- South Korea's manufacturing sector posted the strongest improvement in operating conditions since 2011 as PMI rose to 53.2 in January from 52.9 in December. Firms increased buying activity at the fastest rate in a decade to keep pace with stronger output and rising demand. Saudi Arabia is the top national supplier of crude oil to South Korea, accounting for more than a quarter of its imports.

THE WEEK AHEAD

- U.S. releases January employment report on February 5
- U.S. releases balance of trade figures for December on February 5
- Saudi Arabia releases flash estimates for Q4 GDP growth on February 10