



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

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Weekly Market Brief  
*Week Ending December 11<sup>th</sup>, 2020*

SAUDI ARABIAN MARKET

Saudi Arabia Macroeconomic Developments

- Point-of-sale (POS) transactions increased 4 percent to reach SAR9 billion (\$2.4 billion) during the week ending December 5, according to the latest SAMA data. POS sales have trended upward since the VAT increase in July with the four-week moving average posting a 2.9 percent increase in total sales. All sectors except for food & beverage and electronics saw a rise in the value of transactions. Consumer spending in Riyadh and Jeddah accounted for nearly half of the total value across Saudi Arabia.
- Saudi seaborne crude exports picked up from a downwardly revised 5.5 million barrels per day (bpd) last week to 6.7 million bpd this week as exports to China and Japan increased. No volumes were reported heading to the U.S. Daily exports of Saudi crude to the U.S. fell to their lowest level in three decades according the Energy Information Administration (EIA). Increased domestic energy production in the U.S. and growing oil demand from Asia are primarily responsible for the trend.
- Saudi cement sales increased 15 percent YoY in November to reach 4.9 million tons, according to a survey of 17 Saudi cement producers conducted by Yamama Cement Company. The highest increases in cement sales were reported by Qassim Cement Co. (+46 percent), Al Safwa Cement (+40 percent), and Arabian Cement (+39 percent). Clinker production also grew 5.5 percent YoY to reach 4.3 million tons over the same period.

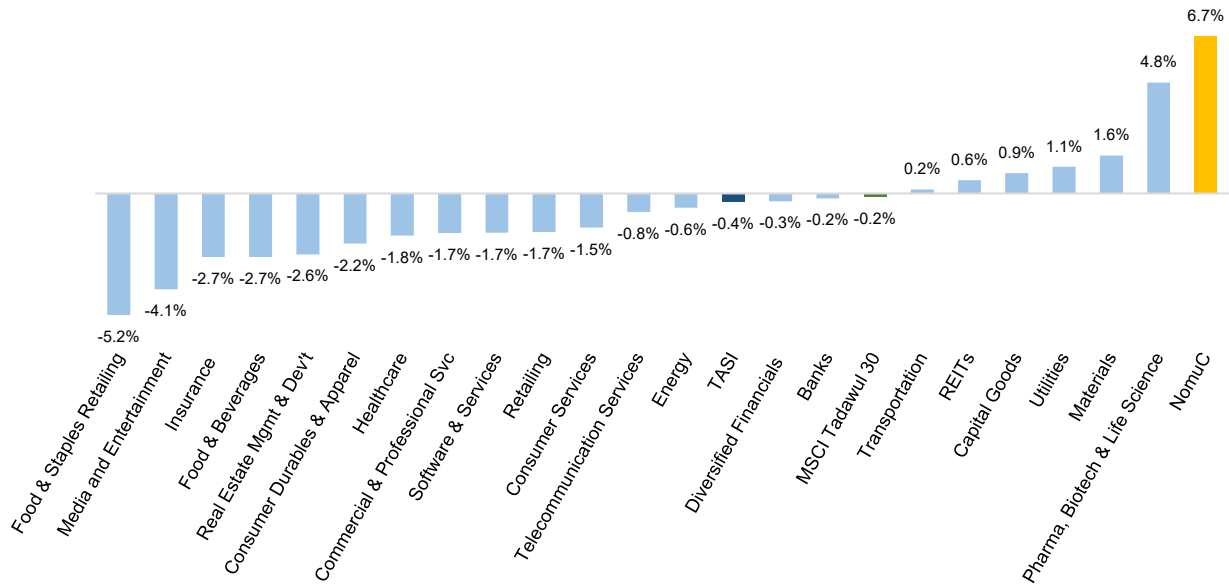


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Tadawul

The TASI fell 0.4 percent this week to reach 8,644 points. 'Pharma, Biotech, & Life Science' led with a 4.8 percent gain on the news of multiple vaccine registrations in Saudi Arabia followed by 'Materials' and 'Utilities' which grew 1.6 percent and 1.1 percent, respectively. 'Food & Staples Retailing' declined 5.2 percent. The NomuC parallel market index gained 6.8 percent while the MSCI Tadawul 30 declined 0.2 percent and finished the week at 1,152.7 points.

Tadawul Weekly Index Performance - December 11, 2020



Source: Tadawul, USSBC



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### Investment and Trade

- Saudi Aramco and Baker Hughes formed a 50/50 joint venture, Novel, to develop a range of non-metallic products for applications in the energy sector. The company's new plant will be constructed at King Salman Energy Park (SPARK), an industrial and energy hub located between Dammam and Al-Ahsa in the Eastern Province.
- Saudi Aramco awarded local contractor Al-Rashid Trading & Contracting a contract to build a cross-country pipeline to transport gas from the Hawiyah Unayzah gas storage facility in the Eastern Province to the Kingdom's Master Gas system. Project works include the construction of a 160-kilometer, 56-inch buried sales gas pipeline, scrapper facilities, isolation valves, and burn pits from gas depressurization.
- Dragos, Inc. secured SAR413 million (\$110 million) in Series C funding for cybersecurity technology in industrial controls systems environments. Key investors included National Grid Partners, Kock Disruptive Technologies, and Saudi Aramco Energy Ventures (SAEV) among other global companies.
- Perma-Pipe Saudi Arabia was awarded a SAR19.1 million (\$5.1 million) contract from Nesma & Partners Contracting Co. Ltd. for the provision of thermally insulated pipe and field joints for a district cooling network at the King Abdulaziz Road Development.
- Middle East Paper Co. announced a SAR338 million (\$90.1 million) contract to establish a tissue and hygienic paper production plant in the Industrial Valley of King Abdullah Economic City (KAEC). Construction is set to begin Q1 2021 and finish Q4 2022 with funding support from the Saudi Industrial Development Fund (SIDF).
- Saudi Arabia's National Water Company (NWC) launched SAR800 million (\$213 million) new water and environmental projects in the Asir region to keep pace with growing demand for water and improve the quality of transmission and distribution services. The projects include new transmission lines, water purification plants, and environmental works including a water reservoir in Abha city.
- NWC signed a seven-year, SAR197 million (SAR53 million) contract with a consortium comprising Saudi Miahona Company, France's Saur Group, and the Philippines' Manila Water Company to undertake the operation and treatment of water services in the Kingdom's northwestern sector, including Madinah and Tabuk. The contract includes key performances to achieve within three years after which assets can be fully transferred to the private sector.



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- Amazon announced the creation of 3,400 new jobs across its operations in Saudi Arabia to meet growing customer demand. Amazon acquired and rebranded Souq.com and launched it in Saudi Arabia in June. The jobs include permanent and seasonal employment opportunities with more than 60 percent Saudization of Amazon's permanent workforce.
- The Red Sea Development Company (TRSDC) awarded a contract to global engineering firm Mott MacDonald to provide sustainability and transportation service consulting, including a strategy for clean mobility using electric vehicles and hydrogen technology across a planned fleet of land and sea transport vehicles at the megaproject.
- TRSDC selected AECOM to provide airside construction supervision and quality control services for a new sustainable international airport. The project is intended to be the Kingdom's first airport infrastructure powered entirely by renewable energy.
- Saudi Arabia's General Authority for Small and Medium Enterprises (Monshaat) partnered with California's Stanford University to launch a three-month innovation and entrepreneurship program to help 50 participating SMEs scale up their operations with industry best practices.
- IBM opened its first security operations center in Saudi Arabia last week in Riyadh. The new facility will offer IBM's private and government sector clients in Saudi Arabia the option of managing their cybersecurity operations using IBM's staff and local infrastructure.
- The Saudi Data & AI Authority (SDAIA) signed an agreement with Dell Technologies for consulting services to help leverage technology solutions within AI, cloud computing, data analytics, and enterprise storage to fuel Saudi Arabia's digital transformation.
- The Saudi Food and Drug Authority (SFDA) registered the Pfizer-BioNTech COVID-19 vaccine for importation and use within the Kingdom.

### Banking

Weekly money supply M1, M2, and M3 rose 1.7 percent, 1.2 percent, and 0.4 percent, respectively during the week ending December 3.

### U.S. MARKETS



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## U.S. Macroeconomic Developments

- Inflation in the U.S. climbed 0.2 percent MoM in November, following a flat reading in October. Compared to the same period last year, inflation was unchanged at 1.2 percent with higher prices for new vehicles (+1.6 percent) while prices slowed for food (-0.2 percent) and used cars and trucks (-0.6 percent). The flat reading on owner-occupied home prices reflects expected lag between home prices and official inflation measures.
- Initial jobless claims reached a 3-month high of 853,000 in the week ending December 5 from an upwardly revised 716,000 the prior week. Weekly claims have now increased in three of the past five weeks and were higher last week than at any point since September. Continuing claims rose to 5.76 million in the week ending Nov 28 from 5.53 million the week before.
- The NFIB small business optimism index fell 2.6 points to 101.4 in November, reflecting new operating restrictions that have affected some consumer-facing businesses as COVID-19 cases increase across the country. A 19-point drop from October in the share of business owners expecting the economy to improve in the next six months also likely reflects residual sentiment from the presidential election. Industries requiring in-person social interaction like restaurants, bars, and entertainment venues were significantly less optimistic than construction firms, small manufacturers, and trucking firms.

## Fixed Income

The yield on the ten-year U.S. Treasury decreased this week to 0.9 percent.

## Equity Markets

The Dow Jones Industrial Average fell 0.6 percent and finished at 30,046 points. The S&P 500 declined 1 percent and finished at 3,664 points while the NASDAQ fell 0.7 percent and closed at 12,378 points.

## GLOBAL MARKETS



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- Arab light crude rose 3.5 percent last week and closed at \$50.05 per barrel. Global benchmark Brent crude gained 1.9 percent and finished the week at \$49.97 while West Texas Intermediate (WTI) rose 1 percent and closed the week at \$46.57. Oil prices rose for the sixth consecutive week with Brent crude touching \$50 inter-day for the first time since March. Vaccine approval and distribution news has helped boost oil prices to the highest levels since the onset of the pandemic. U.S. crude stockpiles posted a large gain, indicating the abundance of supply that remains in the market, while U.S. energy firms added the most oil and gas rigs in a week since January. The rig count currently stands at 338.
- The UAE's non-oil private sector economy posted a deterioration of business activity for the second month in a row with PMI remaining at 49.5 in November. Sales trends picked up but were offset by a decline in exports and employment levels as global markets struggle with rising coronavirus cases. The 'output' subcomponent of the index registered below 50 for the first time since May. Notably, businesses gave a negative outlook for the year ahead for the first time since sentiment data collection began in 2012.
- South Korea's manufacturing sector saw broad increases in output levels and new orders during November while employment levels stabilized. IHS Markit's PMI reading rose to 52.9 last month from 51.2 in October, the highest level since February 2011. Business reported an optimistic outlook on activity in the year ahead despite COVID. South Korea's international demand was driven by key export markets in the Asia Pacific region that have been less impacted by coronavirus infections than Europe and North America.

#### THE WEEK AHEAD

- Saudi Arabia releases consumer and producer prices for November on December 15
- U.S. releases retail sales for November on December 16
- Saudi Arabia release full Q3 GDP report on December 17