



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

Weekly Market Brief
Week Ending December 18th, 2020

SAUDI ARABIAN MARKET

Saudi Arabia Macroeconomic Developments

- Saudi Arabia's 2020 deficit will reach SAR298 (\$79.5 billion), or 12 percent of GDP, compared to SAR133 billion (\$35.5 billion), or 4.5 percent of GDP, in 2019 according to the Ministry of Finance. Total revenues in 2020 declined to a SAR770 billion (\$205 billion), marking a 17 percent drop compared to 2019, which saw SAR927 billion (\$247 billion) in total revenues. Total government expenditures in 2020 are expected to reach SAR1,068 billion (\$285 billion), a marginal 0.8 percent YoY increase.
- Saudi Arabia's budget deficit is expected to be reduced by 7 percent to SAR141 billion (\$38 billion) in FY2021, representing 4.9 percent of GDP. The decline in the deficit would primarily be driven by a 10 percent expected increase in total revenues in 2021, forecasted to reach SAR849 billion (\$226 billion). Total expenditures will be reduced by 7 percent in 2021 to SAR990 billion (\$264 billion).
- Consumer prices increased 5.8 percent YoY in November, the same rate as the previous month. CPI continues to reflect the value-added tax (VAT) tax increase from July. Increases in the prices of food & beverages (+13 percent) and transportation (+8 percent) were the main drivers of inflation while being offset by utility prices (-1.6 percent).
- Saudi Arabia's holdings of U.S. Treasuries reached SAR503.3 billion (\$134.2 billion) in October, the highest level since the government drew down its reserves at the onset of the coronavirus outbreak. Holdings rose SAR11.3 billion (\$3 billion) compared to September as Saudi Arabia remained the 15th largest sovereign holder of U.S. debt.
- Saudi seaborne crude exports for last week were reported at 5.1 million barrels per day (bpd) compared to last week's upwardly revised 8.2 million bpd. Exports to China and Japan fell while deliveries to India remained steady. No exports were reported heading to South Korea, the U.S., or the Mediterranean.



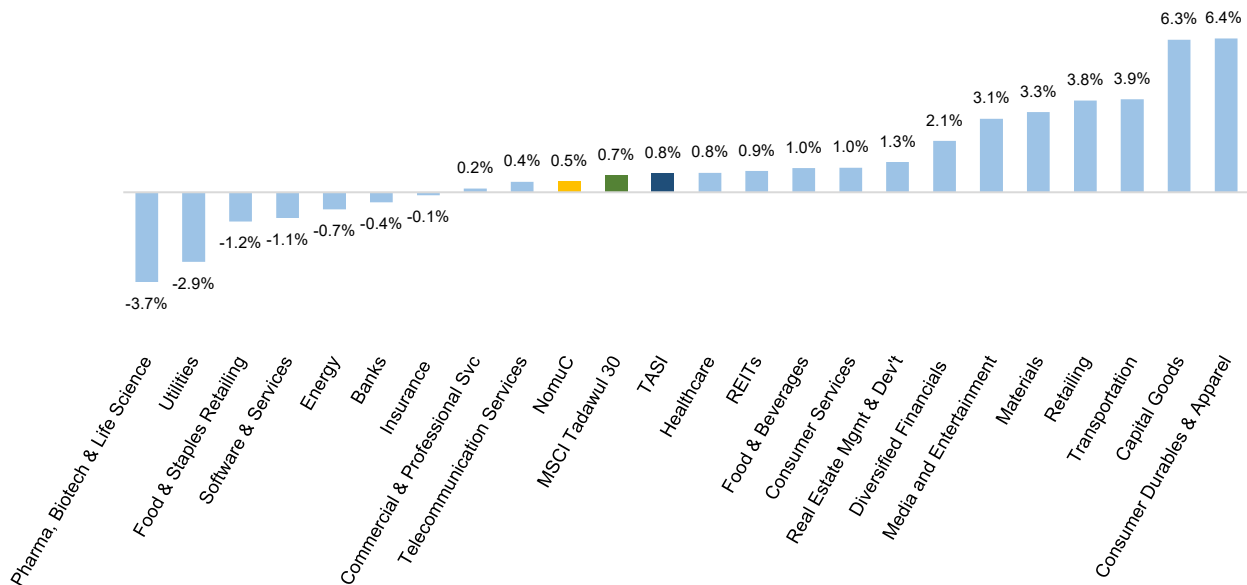
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- Over the weekend, Saudi Arabia suspended all international flights and closed passenger land and sea ports amid mounting concern over a new strain of COVID-19. International flights had previously been scheduled to resume on January 1.

Tadawul

The TASI rose 0.8 percent last week to reach 8,712 points after registering the highest level since July 2019. 'Consumer Durables & Apparel' led with a 6.4 percent gain followed by 'Capital Goods' and 'Transportation' which grew 6.3 percent and 3.9 percent, respectively. 'Pharma, Biotech, & Life Science' declined 3.7 percent. The NomuC parallel market index meanwhile gained 0.5 percent while the MSCI Tadawul 30 rose 0.7 percent and finished the week at 1,161 points.

Tadawul Weekly Index Performance - December 18, 2020



Source: Tadawul, USSBC



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Investment and Trade

- Johnson & Johnson signed agreements with King Abdullah University of Science and Technology (KAUST) and SaudiVax. The agreement with KAUST entails medical and scientific collaboration on tropical disease epidemiology and simulation while the agreement with SaudiVax is aimed at establishing local manufacturing for leading biologics to treat auto-immune inflammatory diseases.
- The U.S. Airforce's Life Cycle Management Center (AFLCMC) delivered its final F-15SA advanced fighter aircraft to the Royal Saudi Air Force. The delivery marks the final Boeing-produced aircraft included in the terms of a \$109 billion (\$29 billion) foreign military sales (FMS) contract reached in 2010.
- The Red Sea Development Company (TRSDC) signed a SAR210 million (\$56 million) contract with Red Sea International Company to provide facility management, operations, and maintenance services for the worker accommodation facilities at the Red Sea project site.
- MiSK subsidiary Saudi Manga Productions signed an agreement with NEOM to use the megacity project site as the location for the second season of the Saudi production "Future Folktales" which debuted in 2020.
- Saudi Electricity Company (SEC) signed an agreement with Japan Bank for International Cooperation (JBIC) to finance its existing and future energy projects, including the development of smart infrastructure for electrical transmission networks with the Kingdom.

Banking

Weekly money supply M1, M2, and M3 rose 1.8 percent, 0.8 percent, and 0.8 percent, respectively during the week ending December 10.

U.S. MARKETS



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U.S. Macroeconomic Developments

- Industrial production rose 0.4 percent in November, beating market expectations due to gains in mining and manufacturing activity. Motor vehicles and parts production rose 5.3 percent after declining for three consecutive months. Overall, manufacturing output remains roughly 4 percent below its pre-pandemic levels.
- Retail sales declined 1.1 percent in November and the prior month's gain was revised to a decline. Despite holiday shopping, clothing and department stores reported some of the steepest declines while e-commerce increased only 0.2 percent. Restaurants saw a 4 percent decline in sales, the largest drop since the initial lockdowns in the spring. However, retail sales still remain 4.1 percent above last year's levels.
- Initial jobless claims increased for the second straight week (+885,000) as some U.S. states enacted new business restrictions to slow the spread of the coronavirus. In all, 20.6 million individuals were receiving unemployment benefits during the week ending November 28.
- Housing starts increased 1.2 percent to a 1.55-million-unit pace, primarily driven by single-family starts. The COVID-19 pandemic continues to drive migration from high-priced urban areas to neighboring suburbs and exurbs where available single-family homes are in short supply.

Fixed Income

The yield on the ten-year U.S. Treasury increased this week to 0.95 percent.

Equity Markets

The Dow Jones Industrial Average rose 0.4 percent and finished at 30,179 points. The S&P 500 gained 1.3 percent and finished at 3,709 points while the NASDAQ rose 3.1 percent and closed at 12,756 points.



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GLOBAL MARKETS

- Arab light crude rose 2.1 percent last week and closed at \$51.10 per barrel. Global benchmark Brent crude gained 4.6 percent and finished the week at \$52.26 while West Texas Intermediate (WTI) rose 5.4 percent and closed the week at \$49.10. Vaccine approvals and distribution news boosted oil markets again this week as Brent crude closed above \$50 for the first time since March. U.S. supply data showed crude inventories falling more than expected and the oil & gas rig count reached 346, the highest since May.
- Eurozone PMI registered a stronger-than-expected 49.8 in December compared to 45.3 in November. Manufacturing activity (PMI 56.6 in December, 55.3 in November) proved resilient as exports and new orders increased. The service sector (PMI 47.3 in December, 41.7 in November) appears to have stabilized after renewed COVID-19 lockdowns in November, though consumer-facing industries are still struggling. Employment across the Eurozone fell for the tenth consecutive month in both the manufacturing and service sectors.
- Japan's private sector economy continued to deteriorate in December (PMI 48.1) as export orders continued to decline. Employment levels registered the softest decline in ten months while the manufacturing sectors added jobs. Business sentiment improved with renewed hopes for a revival of domestic and international demand post-pandemic.

THE WEEK AHEAD

- U.S. releases durable goods orders for November on December 23
- Saudi Arabia releases international trade figures for October on December 24
- Saudi Arabia release SAMA monthly statistics for November on December 29