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Weekly Market Brief  
*Week Ending February 12<sup>th</sup>, 2021*

SAUDI ARABIAN MARKET

Saudi Arabia Macroeconomic Developments

- Saudi Arabia extended restrictions on entertainment, recreation, and dine-in services for an additional 20 days to curb the spread of the coronavirus. The Ministry of Interior will keep the restrictions in place until March 4, subject to further review.
- Saudi Arabia's economy grew 2.8 percent in Q4, following a 1.8 percent expansion in Q3. On a yearly basis, the Saudi economy contracted 4.1 percent in 2020, reflecting the downturn in oil markets amid the global pandemic. The official full GDP report will be published on March 16th.
- Point-of-sale (POS) transactions declined 8 percent to SAR8.6 billion (\$2.3 billion) from SAR9.3 billion (\$2.5 billion) during the week ending on February 6th. Food & beverages, restaurants, and healthcare accounted for the top consumer spending segments. The four-week moving average has trended steadily higher despite the VAT hike in July, but recent temporary restrictions on in-person service businesses are likely to drive a spending decline in the near-term.
- Saudi Arabia issued 72,440 work visas in Q3 2020 compared to 49,570 in Q2, according to GStat. Private sector firms received 64 percent of the visas, though a majority of the visas were limited in use amid international travel restrictions.
- Saudi Arabia's inflation rose to 5.7 percent YoY in January, continuing to reflect the value-added tax (VAT) increase in July. The pace of inflation accelerated from 5.3 percent in December. Annual inflation was 3.4 percent in 2020 following a deflationary trend in 2019.

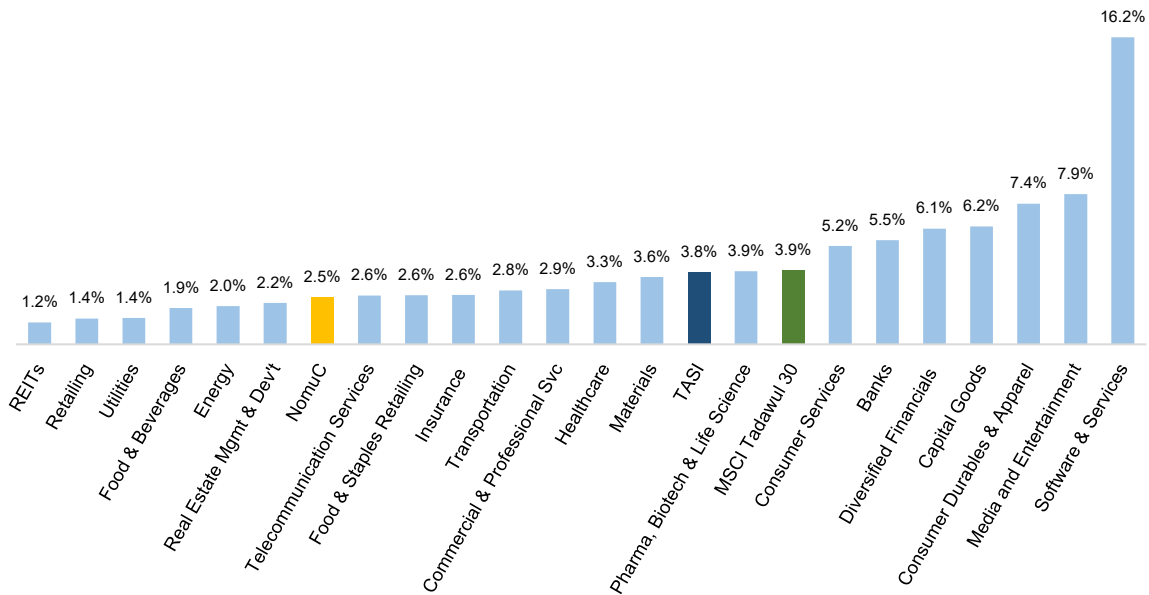
Tadawul



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The TASI rose 3.8 percent to reach 8,943 points and was led by Software & Services, which increased 16.2 percent as Al Moammar Information Systems and Arab Sea Information Systems Co. posted another strong week of gains. Media & Entertainment and Consumer Durables & Apparel rose 7.9 percent and 7.4 percent, respectively. The NomuC parallel market index rose 2.5 percent while the MSCI Tadawul 30 index rose 3.9 percent and finished the week at 1,208.8 points.

Tadawul Weekly Index Performance - February 12, 2021



Source: Tadawul, USSBC

Foreign investors on Saudi Tadawul continued to record net buys during the week of February 4. Foreign purchases netted SAR157.6 million (\$42 million) over the period.

Investment and Trade



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- The Public Investment Fund (PIF) acquired a stake exceeding 33 percent in a new SAR1.1 billion (\$300 million) shariah-compliant credit fund launched by NBK Capital Partners that will provide capital to mid-market companies in the Middle East. The exact size of the stake was not disclosed.
- Saudi Arabia was ranked sixth in the 2021 Agility Emerging Markets Logistics Index, maintaining its 2020 ranking. The Kingdom was ranked third among emerging markets in business fundamentals of the logistics sector and received a boosted score for growth potential in 2021. Read more about Saudi Arabia's logistics sector plans in our [Logistics Economic Brief](#).
- The Saudi Data and Artificial Intelligence Authority (SDAIA) and Philips signed an agreement to promote the use of AI in the healthcare sector in line with Vision 2030. The agreement focuses on knowledge exchange and development of national capabilities that would improve service quality and create job opportunities at the intersection of health and technology.
- Saudi Railway Company (SRC) awarded local firm Al-Bawani a SAR150 million (\$40 million) contract for the delivery of mechanical and electrical works as part of the final phase of Saudi Arabia's North-South Railway line. The line will be extended from Al-Jouf to Qurayyat.
- A new project called the Coral Bloom was announced under the umbrella of the Red Sea Project. The project was designed by British architecture firm Foster+Partners. It will comprise 11 hotels and be built on Shurayrah Island, which is home to the world's fourth largest barrier reef system.
- Siemens Energy signed an agreement to supply 21 high-efficiency compressor trains for the expansion of the Marjan oil and gas field. The trains will be assembled at the Siemens Dammam Energy Hub and will engage local Saudi suppliers to support localization and technology transfer.
- On Sunday, the Kingdom announced a new rule under which the government will no longer contract companies that do not have a regional headquarters in Saudi Arabia. The announced rule will enter into effect starting January 2024. However, the Minister of Finance stated that select sectors will be excluded from the decision.



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Weekly money supply M1, M2, and M3 declined 1.1 percent, 0.6 percent, and 0.4 percent respectively during the week ending February 4.

## U.S. MARKETS

### U.S. Macroeconomic Developments

- Consumer prices rose 0.3 percent in January amid higher gasoline prices. Inflation expectations suggest businesses and consumers are positioned for higher prices later in the year. Services inflation was flat for a second consecutive month in January.
- Small business optimism fell 0.9 points in January to 95, driven by a significant decline in business owners expecting economic conditions to improve over the next six months. The share of small businesses with job openings and those expecting credit conditions to improve both edged higher. Small firms engaged in construction, manufacturing, and professional services remain notably more upbeat than in-person service-oriented businesses.
- Initial jobless claims for the week ending February 6 declined 19,000 to reach 793,000 total claims. During the week ending January 23 (latest available data), the number of continuing claims rose for the Pandemic Unemployment Assistance program (+1.5 million) and Pandemic Emergency Unemployment compensation (+1.2 million) after the December fiscal relief package's eligibility extensions kicked in.

### Fixed Income

The yield on the ten-year U.S. Treasury remained flat and finished the week at 1.2 percent.



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## Equity Markets

The Dow Jones Industrial Average gained 1 percent and finished at 31,458 points. The S&P 500 rose 1.2 percent and finished at 3,934 points while the NASDAQ gained 1.7 percent and closed at 14,096 points.

## GLOBAL MARKETS

- Arab Light crude rose 2.2 percent last week and closed at \$60.63 per barrel. Global benchmark Brent crude rose 4.8 percent and finished the week at \$62.43 while West Texas Intermediate (WTI) gained 4.2 percent and closed the week at \$59.47. Brent crude futures hit a 13-month high last week and the U.S. Energy Information Administration (EIA) forecasted a drawdown in both crude stocks and domestic output in the months ahead. Over the weekend, record cold temperatures across Texas temporarily shuttered oil refineries and gas pipelines, including Motiva's Port Arthur refinery.
- Eurozone composite PMI registered at 47.8 points in January, down from 49.1 points in December. The service sector was the primary driver of economic contraction while the manufacturing sector saw a rise in production across the Eurozone. Germany was the only surveyed country to post an overall expansion in business activity (50.8 points). Supply chain delays caused slower output growth as countries battle rising COVID cases.
- Japan's manufacturing PMI slipped to 49.8 points in January from 50 points the previous month, reflecting mixed signals from surveyed firms. New orders stabilized for the first time in more than two years, ending 24 months of consecutive decline. However, goods producers reported a third consecutive monthly decline in export demand while employment levels were contractionary. Saudi Arabia accounts for roughly a third of Japan's crude imports.

## THE WEEK AHEAD

- U.S. releases retail sales for January on February 17
- U.S. releases manufacturing PMI for February on February 19
- Saudi Arabia releases international trade figures for December on February 24