



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

Weekly Market Brief
Week Ending April 30th, 2021

SAUDI ARABIAN MARKET

Saudi Arabia Macroeconomic Developments

- Saudi Arabia's value-added tax (VAT) increase will be temporary and is expected to "last one to five years," according to H.R.H. Crown Prince Mohammed bin Salman. The VAT, which was introduced at 5 percent in 2018 and then increased to 15 percent last July, would be lowered to the 5 to 10 percent range.
- New residential mortgages in Saudi Arabia rose 23 percent MoM in March, reaching a record high SAR16.9 billion (\$4.5 billion). The number of signed contracts also rose 21 percent over the same period with an average size of SAR533,000 (\$142,000). Compared to last year, Saudi mortgage issuances are up 56 percent in March. Read more about the Saudi housing sector in our [January Economic Brief](#).
- Saudization in the private sector rose to 22.8 percent in Q1 2021 from 20.4 percent last year, according to Saudi Arabia's National Labor Observatory. Sectors that achieved 50 percent Saudization or higher included 'finance and insurance' (84 percent), 'public administration, defense, and social insurance' (72 percent), 'mining and quarrying' (63 percent), 'education' (53 percent), and 'information and communications' (51 percent).
- Personal remittances of expatriates in Saudi Arabia increased 15 percent to SAR14.1 billion (\$3.8 billion) in March. Compared to February, the value of remittances rose 24 percent. Last year's SAR150 billion (\$40 billion) in remittances by expatriates marked the highest level on record for Saudi Arabia.
- Saudi Arabia's foreign reserves increased 1.7 percent MoM in March to SAR1.68 trillion (\$448.9 billion), according to SAMA. Reserves are 5 percent lower from a year earlier. The Kingdom's investments in foreign securities edged up 0.2 percent while foreign exchange and deposits abroad rose 5.7 percent. IMF reserve position and special drawing rights (SDR) both declined.

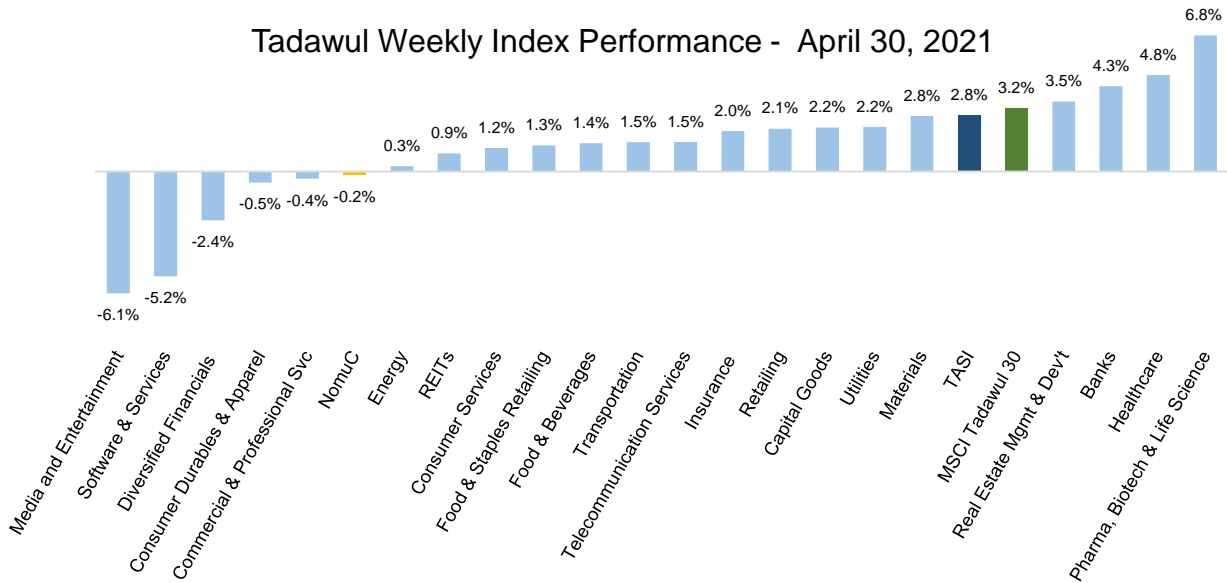


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Tadawul

The TASI rose 2.8 percent and closed at 10,419 points. The Pharma, Biotech, & Life Science sector led with a 6.8 percent gain following SPIMACO’s local pharmaceutical manufacturing agreement with Roche. Other top sectors included Healthcare and Banks with a 4.8 percent and 4.3 percent gain, respectively. Media & Entertainment, which led the past two weeks, declined 6.1 percent. The NomuC parallel market index meanwhile fell 0.2 percent. The MSCI Tadawul 30 index finished the week up 3.2 percent to close at 1,424 points.

Tadawul Weekly Index Performance - April 30, 2021



Source: Tadawul, USSBC

H.R.H. Crown Prince Mohammed bin Salman announced plans to sell 1 percent of Saudi Aramco to a leading global energy company and that sales to international investors could happen within the next 1-2 years.



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Investment and Trade

- U.S. hydrogen fuel cell company Hyzon Motors Inc. signed an agreement with NEOM, in tandem with Saudi firm Modern Industrial Investment Holding Group (Modern Group), expressing intent to establish an assembly facility for a hydrogen-powered demonstration fleet of commercial vehicles at NEOM. Hyzon Motors plans to enter a joint venture with Modern Group for the development of the assembly plant.
- U.S. fast food chain Popeyes signed an exclusive master franchise and development agreement with Gulf First Fast Food Company to enter the Saudi market, though the brand did not disclose the number of restaurants it plans to open or its timeframe.
- Saudi Arabia will invest SAR12 billion (\$3.2 billion) in public-private partnerships for infrastructure and other services to develop the Al Ula megaproject, according to the Royal Commission for Al Ula. The full SAR56 billion (\$15 billion) of the recently announced Al Ula masterplan will involve the development of a renewable energy network, a water supply system, a wastewater treatment plant, and various tourism infrastructure projects.
- Saudi Arabia's Tourism Development Fund (TDF) and Riyadh Bank established a SAR2 billion (\$530 million) fund called 'Tourism Partners' to finance public and private sector developments in Saudi tourism projects. The fund will offer three financing options between SAR1 million (\$267,000) and SAR100 million (\$27 million).
- The Saudi Pharmaceutical Industries and Medical Appliances Corporation (SPIMACO) signed a deal with Swiss pharma giant Roche to localize manufacturing of an immunosuppressive drug, representing the first complete localization of an advanced immunosuppressive pharmaceutical in Saudi Arabia.
- A joint venture of Saudi firm El-Seif Engineering Contracting and Lebanon's Consolidated Contractors Company was awarded a SAR1.4 billion (\$373 million) contract for the construction of roads, bridges, and tunnels at King Salman Energy Park (SPARK).
- The Ministry of Industry announced 102 new factories were licensed in March with investments totaling SAR15.2 billion (\$4.1 billion), a 55 percent YoY increase. This



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included the first additive manufacturing license approved by the Ministry which went to Dubai 3D printing firm Immensa Technology.

- Arabian Centres was awarded a SAR257.3 million (\$70 million) contract to begin construction of the Madinah Walk project. Lynx Contracting Company will executive the main contract works.

Banking

Weekly money supply M1, M2, and M3 fell 0.5 percent, 0.6 percent, and 0.7 percent, respectively, during the week ending April 22.

U.S. MARKETS

U.S. Macroeconomic Developments

- Real GDP grew at an annualized 6.4 percent rate in Q1 2021, according to the Department of Commerce. GDP now stands 0.9 percent below its pre-pandemic peak. Continuing COVID case increases among top trading partners contributed to a drag on net exports.
- Durable goods orders rose 0.5 percent in March, missing market forecasts of a 2.5 percent gain. Supply shortages impacted production again in March, impacting sectors like transportation equipment, which declined 1.7 percent. Fabricated metal products contributed to most of the growth, rising 3.6 percent.
- U.S. consumer confidence rose 12 points in April to reach a post-pandemic high of 121.7 points, beating consensus expectations. The high for the prior cycle, reached in October of 2018, was 137.9.

Fixed Income

The yield on the ten-year U.S. Treasury rose to 1.65 percent.



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Equity Markets

The Dow Jones Industrial Average fell 0.5 percent and finished the week at 33,875 points. The S&P 500 gained 0.02 percent and finished at 4,181 points while the NASDAQ fell 0.4 percent and closed at 13,963 points. During the month of April, DJIA rose 2.2 percent, the S&P rose 4 percent, and the NASDAQ rose 3.6 percent.

GLOBAL MARKETS

- Arab Light crude prices increased 4 percent last week and closed at \$67.25 per barrel. Global benchmark Brent crude rose 1 percent and finished the week at \$66.66 while West Texas Intermediate (WTI) rose 2.3 percent and closed the week at \$63.48. Despite rising COVID cases in India and Brazil, oil prices rose to six-week highs following strong economic data from the U.S. and China ahead of the summer season. OPEC+ cancelled plans for a ministerial meeting last week after the smaller OPEC+ market monitoring panel indicated broad agreement to remain committed to the previous April 1 agreement. During April, Arab Light prices rose 7.4 percent compared to 2.8 percent and 3.3 percent gains for Brent crude and WTI, respectively.
- China's Caixin manufacturing PMI rose to a four-month high of 51.9 points in April from 50.6 points in March. Output and new orders rose the most since last December, while employment levels increased for the first time in four months. Supplier delivery times fell further into negative territory amid logistical delays that are broadly affecting global trade flows.
- Japan's manufacturing sector registered the strongest improvement in operating conditions in three years, according to the latest PMI data. Jibun Bank's manufacturing PMI rose to 53.6 points in April from 52.7 points in March amid a sharp increase in new export sales, the quickest since February 2018, as demand from the U.S. and China recover.

THE WEEK AHEAD

- Saudi Arabia PMI for April is released by IHS Markit on May 4
- U.S. PMI for April is released by IHS Markit on May 5
- U.S. releases April employment report on May 7