



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

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Weekly Market Brief  
Week Ending May 7<sup>th</sup>, 2021

SAUDI ARABIAN MARKET

Saudi Arabia Macroeconomic Developments

- Saudi Arabia's non-oil private sector saw the sharpest business activity increase in three months, according IHS Markit's Purchasing Managers' Index (PMI). April PMI rose to 55.2 points from 53.3 points in March where the 50-point mark separates growth from contraction. Employment levels rose while strengthening demand in Asia drove a pickup in exports.
- The Saudi economy contracted 3.3 percent YoY in Q1, according to flash estimates from the General Authority for Statistics (GASat). Over the same period, the non-oil economy grew 3.3 percent. On a quarterly basis, GDP slipped 0.1 percent in Q1 compared to Q4 2020 following Saudi Arabia's voluntary oil supply cuts, which led to a -5.1 percent drop in oil GDP.
- Saudi government revenue totaled SAR205 billion (\$55 billion) in Q1 2021, rising 7 percent YoY. Oil revenue declined 9 percent YoY while non-oil revenue rose 39 percent YoY, primarily due to higher tax revenue from the value-added tax (VAT) increase.
- Saudi government expenses totaled SAR212 billion (\$57 billion) in Q1 2021, declining 6 percent YoY. Capital expenditures declined 47 percent YoY while current expenditures remained constant. Spending reductions paired with higher government revenues resulted in a budget deficit of SAR7.4 billion (\$2 billion) in Q1, compared to SAR109 billion (\$29 billion) in Q4 2020 and SAR34 billion (\$9 billion) in Q1 2020.
- The IMF lowered its 2021 forecast for Saudi Arabia's economy from 2.9 percent to 2.1 percent. The growth forecast for 2022 was revised up from 4 percent to 4.8 percent. The Fund also expects the non-oil economy to grow 3.9 percent in 2021 and 3.6 percent in 2022.

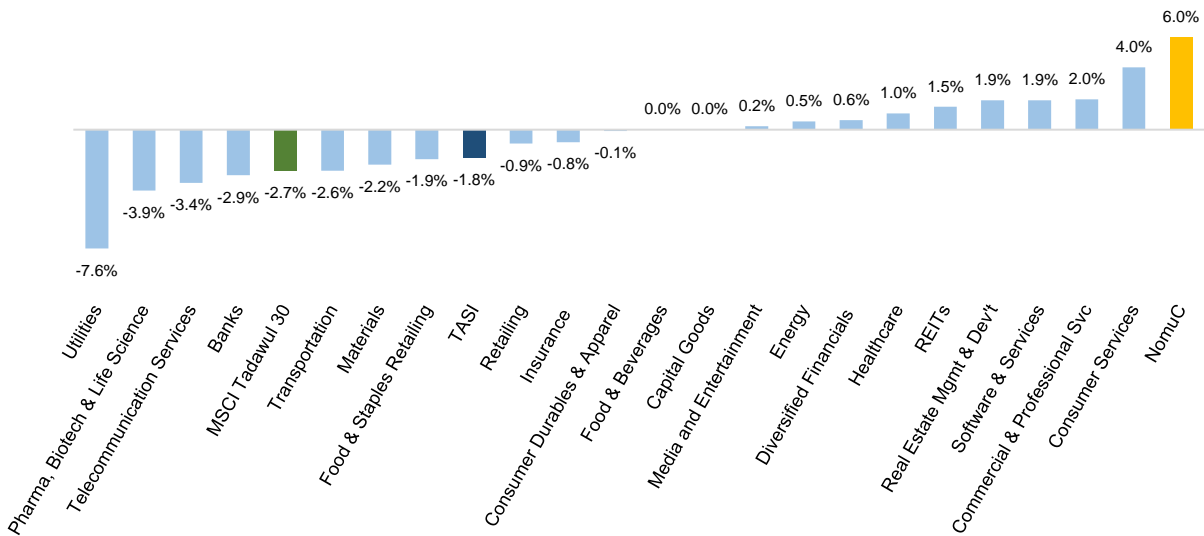


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**Tadawul**

The TASI fell 1.8 percent and closed at 10,228 points. ‘Consumer Services’ led with a 4 percent increase amid strong gains for Ataa Educational Co. and Seera Group Holding. Other top sectors included ‘Commercial & Professional Services’ and ‘Software & Services’ which rose 2 percent and 1.9 percent, respectively. Utilities declined 7.6 percent. The NomuC index rose 6 percent following the listing of Saudi snack company Fesh Fash on the parallel market. The MSCI Tadawul 30 index finished the week down 2.7 percent to close at 1,386 points.

Tadawul Weekly Index Performance - May 7, 2021



Source: Tadawul, USSBC

Arabian Drilling Co., a Saudi oilfield services firm partly owned by U.S. company Schlumberger, is preparing an initial public offering (IPO) on the Tadawul for 2021. Industry sources expect the IPO may give the company a valuation of around SAR7.5 billion (\$2 billion).



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## Investment and Trade

- Sary, a Saudi-based business-to-business (B2B) marketplace has raised a SAR114 million (\$30.5 million) Series B round led by VentureSouq, with participation from U.S.-based Rocketship.vc. Retailo, another Saudi B2B marketplace separately closed a SAR25 million (\$6.7 million) seed investment round with participation from U.S. venture firm AgFunder.
- The Saudi Data & Artificial Intelligence Authority (SDAIA) signed an agreement with U.S. health information technology firm IQVIA for joint cooperation in the field of health sciences and AI. The agreement aims to build a center for innovation and knowledge that will develop training protocols for data and AI application in the health field.
- Italy's Saipem announced four major engineering, procurement, construction, and installation (EPCI) contracts awarded by Saudi Aramco totaling SAR1.7 billion (\$450 million). The contracts involve replacement of two trunklines at Zuluf field, a new production deck module at the Abu Safah field, and the replacement of the crude loading system at Ras Tanura terminal.
- Saudi Arabia's Transport General Authority launched a new program, 'Distinguished Transport Partner' to strengthen public-private partnerships in the transportation field. The program will benefit companies with a fleet of at least 500 licensed commercial vehicles and offer incentives to potential investors involved in land, sea, and rail transport.

## Banking

Weekly money supply M1, M2, and M3 rose 1.1 percent, 0.8 percent, and 1 percent, respectively, during the week ending April 29.



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## U.S. MARKETS

### U.S. Macroeconomic Developments

- U.S. trade flows rebounded in March with exports and imports rising 6.6 percent and 6.3 percent, respectively. The U.S. trade balance widened to a record \$74.4 billion. Capital goods imports rose \$3.3 billion in March, supported by a \$1.3 billion gain in semiconductor imports. Exports in March are now back to above pre-COVID levels.
- The U.S. economy netted 266,000 jobs in April, missing consensus expectations of a stronger recovery in the labor market. Payrolls remain 8.2 million below pre-COVID levels. 'Leisure and hospitality' saw the biggest hiring gains (+331k) while service industries bore the brunt of job losses, including 'temporary help services' (-114k) and 'transportation & warehousing' (-74k).
- U.S. PMI rose to 62.2 in April from 59.7 in March to reach a series high. Many firms noted that the expansion was linked to stronger client demand and a rise in new sales. In line with stronger new business growth, service firms raised employment levels at a sharp pace in April. Input costs rose at the quickest rate since data collection began in 2009 with most firms reportedly passing higher prices onto consumers.

### Fixed Income

The yield on the ten-year U.S. Treasury fell to 1.6 percent.

### Equity Markets

The Dow Jones Industrial Average rose 2.7 percent and finished the week at 34,778 points. The S&P 500 gained 1.2 percent and finished at 4,233 points while the NASDAQ fell 1.5 percent and closed at 13,752 points.



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## GLOBAL MARKETS

- Arab Light crude prices increased 0.6 percent last week and closed at \$67.67 per barrel. Global benchmark Brent crude rose 2.4 percent and finished the week at \$68.28 while West Texas Intermediate (WTI) rose 2.2 percent and closed the week at \$64.90. Oil prices gained on optimism for the global economic recovery despite an ongoing surge in coronavirus cases in India and other nations. Gasoline demand is recovering strongly in the U.S. and parts of Europe but has been hindered in Asian countries like Japan that have reimplemented some lockdown protocols.
- The UAE's non-oil private sector recovered further with April PMI rising to 52.7 points from 52.6 points in March. New business growth strengthened to a 20-month high and output growth continued, but employment levels fell for the third consecutive month. Business expectations rose for the fifth straight month amid high levels of COVID vaccinations in the country.
- Egypt's private sector economy deteriorated further last month due to declines in output and new orders while signs of inflation have emerged. April PMI reached 47.7 points from 48 points in March. External demand picked up but rising purchasing prices and supply shortages dampened business volume. Firms remained confident of a rise in output over the next 12 months, but sentiment declined notably from last month.

## THE WEEK AHEAD

- U.S. releases April inflation rate on May 12
- U.S. releases retail sales for April on May 14
- Saudi Arabia releases April inflation on May 20