



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

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Weekly Market Brief  
*Week Ending July 9, 2021*

SAUDI ARABIAN MARKET

Saudi Arabia Macroeconomic Developments

- The IMF completed its Article IV consultation with Saudi Arabia and forecasts 2.4 percent GDP growth for 2021, including 4.3 percent growth in non-oil GDP. Annual inflation is expected to reach 3.2 percent, reflecting both the VAT increase and rising food and energy prices. The Fund praised several reforms including a decisive response to the COVID-19 pandemic, the maintenance of strong fiscal buffers, the VAT increase, and regulatory changes such as the bankruptcy law that improved the ease of doing business in the Kingdom. The full report can be [read here](#).
- Saudi Arabia announced a cap on domestic gasoline prices for July for the first time since 2018. Fuel prices will be capped at June prices between SAR2.18 (\$0.58) and SAR2.33 (\$0.62) per liter depending on grade. The move follows rising global gasoline prices and reaffirms the Kingdom's commitment to reduce subsidies in the energy sector.
- Saudi Arabia's reserve assets declined 0.8 percent MoM and 2.6 percent YoY in May to reach SAR1.6 trillion (\$437 billion). The Kingdom drew down investments in foreign securities by 1.2 percent and foreign currency by 0.3 percent. Holdings in special drawing rights (SDR) and IMF reserve positions marginally increased.
- The value of point-of-sale transactions in Saudi Arabia rose 2.8 percent MoM in May to reach SAR41 billion (\$11 billion). Transactions were up 72 percent YoY as service sector spending recovers from pandemic precautions. On a monthly basis, hotel (+51 percent) and restaurant spending (+29 percent) picked up while construction (-9.8 percent) and electronics (-11.4 percent) spending trended down due to higher input costs and supply chain delays.
- New residential mortgages in Saudi Arabia fell more than a third in May MoM, though the figure is still 13 percent higher than last year's level. More than SAR8.8 billion (\$2.4 billion) in mortgage financing was provided by banks at an average value of SAR514k (\$137k).



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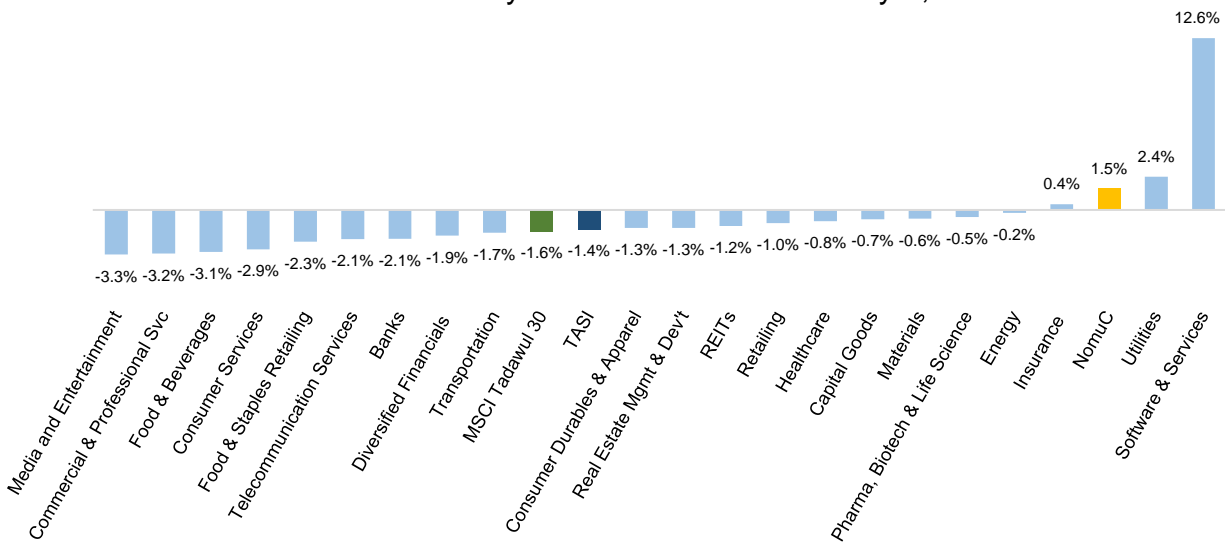
Year-to-date mortgage financing in Saudi Arabia still remains at a record pace. Read more about the Saudi housing sector in our [Housing Economic Brief](#).

- The Ministry of Finance closed its July domestic sukuk issuance at SAR10.4 billion (\$2.8 billion). The offering consisted of two tranches, SAR6.5 billion (\$1.7 billion) and SAR4 billion (\$1 billion), maturing in 2031 and 2035, respectively.

Tadawul

The TASI fell 1.4 percent and closed at 10,825 points, snapping an eight-week streak of gains. ‘Software & Services’ led other sectors again last week with a 12.6 percent increase after Al Moammar Information Systems (MIS) was announced as a key investment partner in Saudi Arabia’s SAR68 billion (\$18 billion) large-scale data center strategy. ‘Utilities’ and ‘Insurance’ followed with 2.4 percent and 0.4 percent gains, respectively. ‘Media & Entertainment’ declined 3.3 percent and led other sectors in losses for the second consecutive week. The NomuC parallel market index finished up 1.5 percent while the MSCI Tadawul 30 index fell 1.6 percent to close the week at 1,444 points.

Tadawul Weekly Index Performance - July 9, 2021



Source: Tadawul, USSBC



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The Capital Market Authority (CMA) published a draft regulation on the reporting of violations, part of the Capital Market Law, for public consultation. The period of public consultation runs through August 10.

### Investment and Trade

- U.S.-based Hill International signed an agreement with the PIF's Rua Al-Madinah Holding Company for project management works at the Madinah Central Area development. The contract encompasses advanced road works to enable the Al-Amida road to serve as an alternative to the current ring road in Madinah.
- Apple Inc. will open its first Middle East iOS Developer Academy in Riyadh, Saudi Arabia. The new academy will officially partner with the Saudi Federation for Cybersecurity, Programming, and Drones and Princess Nourah bint Abdulrahman University to support women's IT education in Saudi Arabia.
- The Ministry of Communications and Information Technology (MCIT) launched a SAR68 billion (\$18 billion) plan to build a network of large-scale data centers across Saudi Arabia. The strategy will prioritize and increase the local capacity of hyperscale and colocation data centers to attract other digital investments like cloud services and video streaming.
- The General Entertainment Authority (GEA) signed an agreement with the Social Development Bank (SDB) to provide soft financing totaling SAR500 million (\$133 million) for entertainment projects and ventures in Saudi Arabia. The partnership includes SAR10 million (\$2.6 million) for SME financing through the Ofoq program.
- The Ministry of Human Resources and Social Development announced plans to localize six major sectors – legal consultancy, legal offices, customs clearance, real estate, cinema, driving instruction, and engineering – in a bid to create 40,000 new jobs. No specific targets for the sectors were publicly released.
- The National Housing Company signed a SAR600 million (\$160 million) contract with Al-Akaria for the Al-Mashreqiya housing project in Riyadh. The works, some of which will be performed by wholly owned subsidiary Tamear, include 3,700 residential units and related infrastructure.
- The Saudi Ports Authority (Mawani) announced tenders for eight new multi-purpose terminal concessions at eight commercial or industrial ports in Saudi Arabia. Mawani will seek private sector partners domestically and internationally for eight build-operate-transfer (BOT) contracts. Learn more about the Kingdom's broader privatization plans in our [Privatization Update](#).



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- The International Air Transport Association (IATA) signed an agreement with the Saudi General Authority for Civil Aviation (GACA) to establish a new office in Riyadh.

### Banking

Weekly money supply M1, M2, and M3 rose 0.1 percent, 1 percent, and 0.8 percent, respectively, during the week ending July 1.

### U.S. MARKETS

#### U.S. Macroeconomic Developments

- U.S. composite PMI slowed to 63.7 points in June from May's record 68.7 points but remained in strong growth territory as new business and export orders continued to expand. The pace of job creation slowed despite a record high number of job openings. Prices increased at the second fastest rate on record though strong demand has allowed firms to partially pass costs onto clients.
- Initial jobless claims unexpectedly increased to 373k in the week ending July 3 from an upwardly revised 371k the week before. Continuing claims fell by 145k to 3.34 million in the week ended June 19, with the 4-week average down by 44.5k to 3.44mn – the lowest since March 2020.
- ISM services PMI slipped to 60.1 points in June from May's record high of 64 points. The employment index fell to 49.3 points.

### Fixed Income

The yield on the ten-year U.S. Treasury declined to 1.37 percent.

### Equity Markets

The Dow Jones Industrial Average (DJIA) rose 0.2 percent and finished the week at 34,870 points. The S&P 500 gained 0.4 percent and finished at 4,370 points while the NASDAQ rose 0.4 percent and closed at 14,702 points.



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## GLOBAL MARKETS

- Arab Light crude prices fell 0.7 percent and finished the week at \$74.28. Brent crude and West Texas Intermediate (WTI) both fell 0.8 percent and closed at \$75.55 and \$74.56, respectively. Oil markets traded lower following a breakdown in OPEC+ negotiations amid fears of a global supply glut if producers decide to raise production unilaterally. U.S. gasoline stocks fell 6.1 million barrels last week compared to EIA's 2.2 million expected draw as fuel demand continues to rise.
- Egypt's PMI increased to 49.9 points in June, the highest reading since November 2020 and up from May's 48.6 points due to an increase in both output and new orders. Employment still declined and input prices rose at the sharpest pace in nearly two years due to a steep increase in raw material prices. However, firms absorbed a majority of the costs.
- Eurozone composite PMI rose to 59.5 points in June, the fastest rate of increase in private sector activity since June 2006. Many COVID-related restrictions were eased last month, driving strong gains in both the manufacturing and service sectors. Germany's services PMI quickened to 57.5 points in June after May's reading of 52.8 points. Composite PMI rose to a 10-year high of 60.1 points, with 12-month expectations also reaching a series high.

## THE WEEK AHEAD

- U.S. releases inflation figures for June on July 13
- Saudi Arabia releases inflation figures for June on July 15
- U.S. releases retail sales for June on July 16