



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

Weekly Market Brief
Week Ending September 3, 2021

SAUDI ARABIAN MARKET

Saudi Arabia Macroeconomic Developments

- Saudi Arabia's non-oil economy continued to expand in August, but at the softest pace in ten months. IHS Markit's Purchasing Managers' Index (PMI) for Saudi Arabia fell from 55.8 points in July to 54.1 points in August. Domestic orders remained strong and firms saw an increase in tourist numbers. Demand momentum remains high with three times as many firms seeing a rise in new orders as those registering a drop, but job creation and business output are seeing a slowdown in growth.
- The Saudi Central Bank's (SAMA) net foreign assets fell 1 percent in July, reaching SAR1.64 trillion (\$437.3 billion). SAMA reduced low-yield bank deposits held abroad while raising its investments in high-yield foreign securities. SAMA's total assets grew 0.3 percent to reach SAR1.85 trillion (\$493.3 billion) in July.
- Residential new mortgage financing in Saudi Arabia rose 11.9 percent MoM in July to hit SAR8.4 billion (\$2.2 billion). The average mortgage value rose to SAR454.2k (\$121.1k). The pace of mortgage lending remains strong relative to pre-COVID levels but has slowed since peaking in Q1 2021.

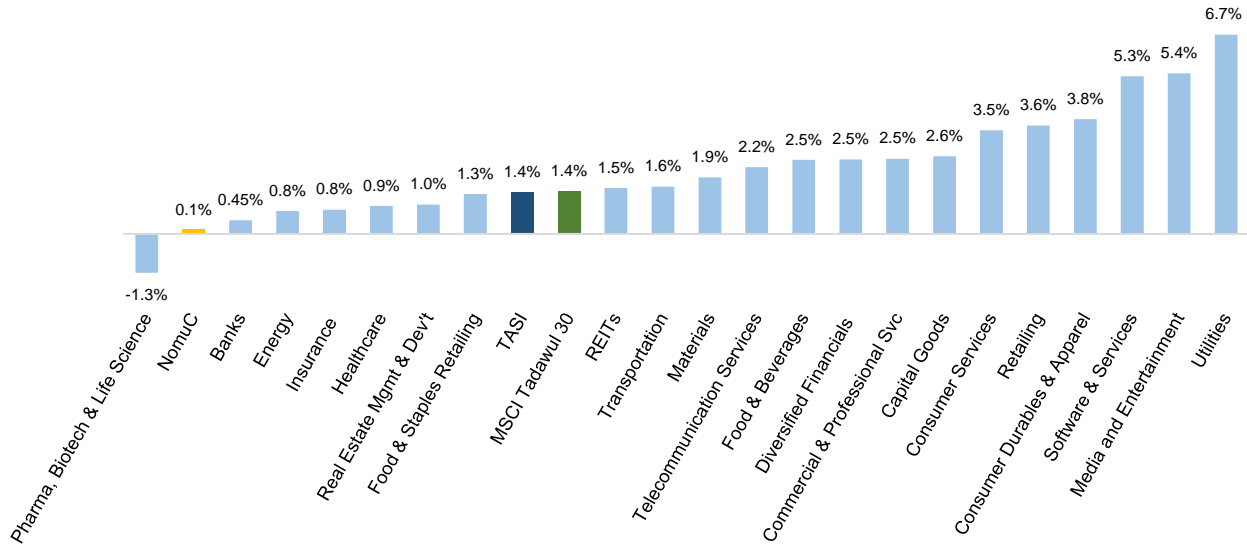
Tadawul

The TASI rose 1.4 percent and closed at 11,311 points with all but one sector finishing the week in positive territory. 'Utilities' rose the highest at 6.7 percent followed by 'Media & Entertainment' and 'Software & Services' which rose 5.4 percent and 5.3 percent, respectively. 'Pharma, Biotech & Life Science' meanwhile slipped 1.3 percent. The NomuC parallel market index ticked down 0.1 percent while the MSCI Tadawul 30 index gained 1.4 percent to close the week at 1,531 points.



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Tadawul Weekly Index Performance - September 3, 2021



Source: Tadawul, USSBC

Saudi Arabia's Public Investment Fund (PIF) and its subsidiary Saudi Tadawul Group announced plans to establish a voluntary exchange in Riyadh for offsets and carbon credits aimed at attracting companies and institutes in the MENA region.

ACWA Power is preparing an initial public offering (IPO) of 85.3 million shares representing 11.7 percent of the company.



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Investment and Trade

- The General Authority for Competition (GAC) approved a partnership between Saudi Arabian Industrial Investments Co. (Dussur), Saudi Arabian Military Industries (SAMI), and France's Figeac Aero to establish a local airframes manufacturing plant. GAC also approved a joint venture between Dussur, Saudi Aramco Development Co (SADCO), and South Korea's Doosan Heavy Industries to supply castings and forgings for the Saudi aviation market.
- Saudi firm Safari Group will partner with New York-based AGreatE and Shanghai-based Symtech Solar to introduce solar and wind energy storage systems to the Kingdom. AGreatE's battery energy storage systems and Symtech's pre-engineered solar kits will expand the renewable products currently offered by Safari Group.
- Saudi Arabia launched an initiative to provide loans of up to SAR15 million (\$4 million) for micro, small, and medium size businesses (SMEs) related to IT and digital projects. Loans will start as low as SAR100k (\$27k) to support and expand firms contributing to the Kingdom's digitization initiatives in industrial processes, entertainment and tourism, and numerous other sectors.
- Saudi Aramco plans to resume development of the Jafurah gas field with investments reaching about SAR413 billion (\$110 billion). The largest natural gas field is estimated at 200 trillion cubic feet of rich raw gas.
- Saudi Arabia plans to start production at the Mansoura and Masarah gold mines in mid-2022, according to Al Eqtisadiyah. The SAR3 billion (\$880 million) gold mine project has a reported production capacity of 250k ounces of gold and silver.
- The Saudi Tourism Authority and China's Alibaba Cloud signed an agreement for the deployment of Alibaba's digital storage, processing, automation, and content delivery services for the Saudi tourism market.

Banking

Weekly money supply M1, M2, and M3 rose 1 percent, 0.8 percent, and 0.5 percent during the week ending August 26.

On a year-to-date basis, M1, M2, and M3 have risen 3.7 percent, 2.5 percent, and 4.6 percent, respectively.



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U.S. MARKETS

U.S. Macroeconomic Developments

- The U.S. economy netted 235k jobs in August, slowing from the 1.1 million jobs added in July's report. Leisure and hospitality industries posted no job gains for the month compared to an average monthly increase of 350k seen over the past 6 months. The federal unemployment rate declined to 5.2 percent. Average hourly earnings rose 0.6 percent MoM and 4.3 percent YoY.
- The U.S. trade balance narrowed to \$70.1 billion in July due to rising demand for U.S. exports. Exports rose 1.3 percent with every major category gaining from last month. Imports meanwhile fell 0.2 percent. However, services imports recorded a 5.5 percent gain compared to a 0.1 percent pickup in service exports.
- Construction spending rose 0.3 percent in July and data from the previous two months was revised higher. Building activity remains concentrated in the residential sector where construction outlays rose 0.5 percent. Nonresidential construction spending rose 0.1 percent, due entirely to public projects. Private nonresidential spending fell 0.2 percent.

Fixed Income

The yield on the ten-year U.S. Treasury increased to 1.33 percent.

Equity Markets

The Dow Jones Industrial Average (DJIA) fell 0.2 percent and finished the week at 35,369 points. The S&P 500 meanwhile gained 0.6 percent and finished at 4,535 points and the NASDAQ rose 1.6 percent and closed at 15,364 points. During August, DJIA rose 1.3 percent, the S&P rose 3 percent, and the NASDAQ rose 4 percent.



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GLOBAL MARKETS

- Arab Light crude rose 1.4 percent and finished the week at \$73.81. Brent crude slipped 0.1 percent and finished the week at \$72.61 while West Texas Intermediate (WTI) gained 0.8 percent and closed at \$69.29. OPEC+ agreed to stick to their existing policy of gradual oil output increases last week despite U.S. pressure to raise production at a quicker pace. U.S. gasoline stocks rose by 1.3 million barrels last week as tropical storms and hurricanes battered the tail-end of the summer driving season. During August, Arab Light lost 3.2 percent, Brent fell 3.8 percent, and WTI fell 6.4 percent.
- Eurozone inflation jumped to a 10-year-high, accelerating from 2.2 YoY percent in July to 3 percent YoY in August due to higher food, energy, and industrial costs. Core inflation rose to 1.6 percent, the highest since July 2012. Germany's consumer inflation index rose to 3.4 percent in August, a level not reached since the run-up to the 2008 financial crisis. Unemployment in the Eurozone meanwhile ticked down to 7.6 percent while consumer confidence weakened.
- U.A.E. PMI ticked down to 53.8 points in August from July's 54 points. While demand continued to rebound, export sales decreased for the fourth consecutive month. Employment levels rose at the fastest rate since the beginning of 2018, potentially due to Expo 2020-related temporary jobs. The U.A.E. stated it would launch a series of 50 "significant economic projects" this month with the underlying aim of economic diversification.

THE WEEK AHEAD

- Saudi Arabia releases industrial production for July on September 9
- U.S. releases weekly jobless claims on September 9
- Saudi Arabia releases inflation figures for August on September 15