

IN THIS EDITION ...

The Saudi economy is off to a strong start to the year, with a number of initiatives that will accelerate the kingdom's diversification drive.

After successfully hosting the G20 event last year, during one of the biggest health and economic crisis faced by the world, the kingdom held the Future Investment Initiative (FII) in January, which explored a post-COVID-19 world full of disruptive changes, but also possible new opportunities.

"Now a fundamental rethink about the ways in which we live our lives and how our economies and societies function is needed. A period, I hope, where every aspect of life across our planet is optimised, industries are reimagined and the world enters into a period of rebirth," [Yasir Al-Rumayyan](#), chairman of FII Institute, said in a foreword.

[Al-Rumayyan](#), who is also head of the Public Investment Fund (PIF), will spearhead the drive in Saudi Arabia with the pledge to invest nearly SAR 40 billion into the Saudi economy over the next five years. This is expected to have a multiplier effect in the country's investment cycle and generate more business activity, which is vital for private sector growth.

A new development for the capital city of [Riyadh](#), and acceleration of Saudi Vision 2030 projects – such as NEOM, as well as in the areas of artificial intelligence and transportation – should also accelerate investor and business sentiment.

To boost economic growth, the kingdom also launched new laws to bolster rights of citizens, residents and businesses alike.

These included the Personal Status Law, the Civil Transactions Law, the Penal Code for Discretionary Sentences, and the Law of Evidence. These new laws are meant to preserve rights, bolster the principles of justice, enforce transparency, protect human rights and achieve comprehensive and sustainable development, in a manner to reinforce the Kingdom's global competitiveness, according to the [Saudi Press Agency](#).



ECONOMIC TRENDS

Despite the challenges wrought by the coronavirus crisis, the kingdom managed to post impressive economic achievements.

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ICT

Investment and interest in artificial intelligence is gaining momentum in the country, which aims to be one of the global leaders in the sector.

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VISION 2030

The sovereign wealth fund will invest heavily in projects aimed at securing the kingdom's economic future.

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TOURISM

Authorities are laying the groundwork to maximise the Saudi capital's financial and tourism potential.

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SME

More than USD 150 million were raised last year, as small businesses help solve pain points emerging from the coronavirus crisis.

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74870	15 ↑	10.19
75212	7 ↑	16.00
81925	23 ↑	15.32
22081		
6.42	68 ↓	6.67
49.23万		33.71
10.64万	12 ↓	26.22
22661	2 ↑	32.66
10158	1 ↓	58.89
62.60	15652	177 ↓
16070	10 ↓	6.20
48476	15 ↓	21.40
9373	7 ↑	116.16
9840	2 ↑	74.52
12.73万		

CURRENCY

Across the world, central bank leaders agree that keeping monetary policy loose for now will help support their economies battered by COVID-19.

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SAUDI DEFIES PANDEMIC WITH STRONG GDP AND FDI GROWTH



The Saudi economy appeared to be in the midst of a spirited recovery in the fourth quarter of 2020, with real gross domestic product rising 2.8% compared to the third quarter.

While the real GDP in the fourth quarter slipped 3.8% year on year, the contraction was expected given that 2019 was in the pre-COVID-19 era.

But the quarter-on-quarter rebound has been impressive. The economy had already grown 1.8% in the third quarter compared to the 5.2% decline in the second quarter, and the latest quarter's expansion suggests continued recovery, according to a flash estimate by the [General Authority for Statistics \(GASTAT\)](#).

GASTAT forecasts the country's real GDP to decline 4.1% in 2020, but higher oil prices and a robust budget should improve economic indicators in 2021.

The [International Monetary Fund's](#) (IMF) latest forecast points to a strong Saudi recovery, with GDP rising 2.6% in 2021 and 4% in 2022. The IMF also has a smaller 3.9% contraction forecast for this year, compared to GASTAT's estimates.

The Saudi labour market is also showing promise, with unemployment falling to 14.9% in the third quarter, compared to 15.4% in the second

quarter, according to the latest [GASTAT](#) data. Male unemployment rate fell 0.2% to 7.9%, while female unemployment declined 1.2% to 30.2%.

Other economic indicators also point to green shoots of recovery. The latest [IHS Markit Saudi Arabia Purchasing Managers' Index](#) rose to 57.1 points in January, its highest reading since November 2019. A score above 50 points indicates business optimism.

"The expansion in business activity was helped by a sharp rise in new orders during January, despite the pace of growth easing slightly from December's recent high. Improving market conditions, rising online sales and greater export demand all supported the upturn," [Markit](#) reported. "Notably, new orders from foreign clients rose to the greatest degree in almost four years."

The kingdom has been helped by low COVID-19 case numbers while other parts of the world have suffered a spike in infections, which risks derailing an upturn in the global economy.

"Businesses, meanwhile, hope that the roll-out of COVID-19 vaccines will bring further growth in 2021 and improve output to pre-COVID-19 levels. Around six times as many firms expect a rise in output over the next 12 months as those that forecast a decline," the Markit report noted.

INVESTMENT INCREASE

As the global shock of the coronavirus slowly wore off, the third quarter saw the number of new foreign investment projects licensed in Saudi Arabia register robust activity compared to the previous quarter. With a 21% year-on-year increase and a 96% quarter-on-quarter gain, the [Ministry of Investment](#) of Saudi Arabia (MISA) issued a total of 306 licenses in the third quarter.

"Each month in Q3 witnessed a year-on-year increase, with the highest amount of foreign investment projects recorded in September. During the entire quarter, 68% of the licenses were for 100% foreign-owned projects, while the remaining 32% went to joint-ventures with Saudi companies," MISA said in its recent report.

Indian and Egyptian companies were the leading investors in the third quarter, accounting for 30 licenses each, followed by 16 British and Lebanese companies each, and 15 Pakistani, Yemeni and Syrian investors each.

Majority of the foreign projects were in growth industries, such as emerging sectors (110 licenses), industrial and manufacturing (53), transport and logistics (35), retail and e-commerce (27) and ICT (26).

Foreign direct investment (FDI) in the first half of the year rose to USD 2.58 billion, compared to USD 2.37 billion during the same period last year.

"In the second quarter of 2020, Saudi Arabia witnessed a 15.7% year-on-year slowdown in FDI inflows after seeing its strongest period for FDI over the course of the last four years the previous quarter," [MISA](#) said in its report.

"In Q2 FDI inflows equalled close to USD 1 billion. However, total FDI for the kingdom in the first half of 2020 was up 7.9%, compared to a 49% decrease in global FDI inflows in the same period, according to latest Saudi Central Bank and UNCTAD data."

AI RESHAPES SAUDI'S DIGITAL ECONOMY

Saudi Arabia is investing heavily in artificial intelligence to accelerate its expertise and know-how of the nascent sector.

Late last year the kingdom's [National Strategy for Data & AI](#) (NSDAI) announced that it was looking to become among the world's leading AI countries in 2030.

The government aims to leverage its role as one of the most populous countries in the region, with an affluent and skilled workforce and the financial wherewithal to bring the world's cutting edge technologies to the kingdom. More than 60% of the population are under 30 years old and are deeply entwined with the digital economy.

One of NSDAI's three objectives are to position the kingdom as a global and regional hub, where the best of data and AI technologies can thrive. The second objective is to create a skilled, tech-savvy workforce.

"Most sectors will have to adapt in order to maximise the benefits this transformation is bringing," the [NSDAI](#) said in a presentation. "The faster we are in integrating data and AI into our education system, professional trainings and into general public knowledge, the greater advantage we will gain in terms of employment, productivity and innovation."

Finally, the kingdom aims to create a robust regulatory framework that



will allow international and regional AI firms and investors to enter the domestic economy.

"As part of providing an attractive regulatory framework for data and AI investments and businesses, we aim at having a strong framework to promote and support ethical development of data and AI research and solutions," according to the presentation.

INVESTING IN AI

The kingdom already has a head start in AI as its sovereign wealth fund is one of the premier global investors in innovation and technology companies.

The Public Investment Fund (PIF) is a major stakeholder in [Softbank Vision's Fund](#), which is investing in some of the world's most innovative companies. These include Brain Corp., which is developing an AI platform that transforms everyday machines into robotic solutions; Nvidia Corp., a technology company igniting modern AI to power the next era of computing; and Petuum, a software infrastructure and ecosystem provider aiming to industrialise AI technology and transform enterprises across all industries.

In addition, AI is being embedded into the ecosystems of new Saudi cities, which are under construction.

Last year, NEOM City, a smart, sustainable metropolis rising up in the kingdom's west coast, awarded a contract to US-based Bechtel for executive project management work on the development of the primary, base infrastructure for [NEOM](#), as the giga-project advances work to create the world's leading destination to attract talent and investment.

"NEOM, a beacon for the future of urban living, selected Bechtel to oversee and create resource-efficient utilities and a highly advanced transport system to connect NEOM's cognitive cities. Integrating sustainable land use, intelligent urban design and multi-modal mobility, NEOM will deliver a community of exceptional liveability," the [company](#) said. "Work will include simultaneous construction in multiple locations requiring extraordinary engineering solutions in challenging terrain."

The Line, NEOM's latest project, promises to be a 170-kilometre belt of hyper-connected future communities, without cars and roads and built around nature.

"The Line's communities will be cognitive, powered by AI, continuously learning predictive ways to make life easier, creating time for both

residents and businesses," the [company](#) said. "An estimated 90% of available data will be harnessed to enhance infrastructure capabilities far beyond the 1% typically utilised in existing smart cities."

PARTNERING WITH EXPERTS

The Saudi government has also signed deals with some of the world's leading technology companies to boost its capabilities. The National Center for Artificial Intelligence (NCAI) signed a deal with China's Huawei Technologies Co., Ltd.

Under the MoU, [Huawei](#) will support the NCAI to train Saudi AI engineers and students, and to address Arabic language AI-related capabilities. NCAI and Huawei will also explore the creation of an AI Capability Platform to localise technology solutions.

"This initiative will play an important role in supporting the kingdom in achieving its Vision 2030 goals, of which around 70% are directly impacted by the data and AI agenda; and in supporting the national ambition to make Saudi Arabia a world leader in the field of AI," said Dr Majid Altuwajiri, CEO of the [NCAI](#).

In February, the Saudi Data and Artificial Intelligence Authority (SDAIA) and [Philips](#) N.V. also signed an MoU to deploy AI technologies in the kingdom's health care system.

SDAIA and the [International Telecommunication Union](#) (ITU), a specialised agency of the United Nations, also agreed to collaborate on initiatives aimed at supporting and strengthening efforts to optimise the benefits of AI technologies and applications for sustainable development.

"The ITU will share best practices in the field of AI with the kingdom," said Dr. Abdullah bin Sharaf Al-Ghamdi, president of SDAIA. "This will help in shedding light on how to sponsor and support emerging companies and new incubators in the national space, especially as there is no official framework that currently exists to support the AI readiness of countries and international co-operation."

PIF INVESTS INTO SAUDI'S ECONOMIC DIVERSIFICATION

The [Public Investment Fund \(PIF\)](#), Saudi Arabia's sovereign wealth fund, is gearing up for investments required to meet the Vision 2030 goals.

The overarching Saudi Vision 2030 initiative aims to recalibrate the kingdom's economy, reduce dependence on oil resources, and create a dynamic and diverse economy focused on technology, human capital and science.

Mohammad bin Salman Al-Saud, Crown Prince, deputy prime minister, chairman of the Council of Economic and Development Affairs, and chairman of PIF, announced in January that the wealth fund intends to invest USD 40 billion in domestic projects to boost the economy in line with the Vision 2030 initiative.

"His Royal Highness added that over the past four years, PIF made significant progress at a time of great uncertainty in the global economy," the [PIF](#) said in a statement.

"The strategy comes as an extension to these achievements, looking to make the fund the leading catalyst for Saudi Arabia's economic transformation and diversification. His Royal Highness additionally stated that PIF would continue to invest in businesses and sectors that would contribute to driving the future of the kingdom and the world-pioneering funding of new human futures."

Yasir bin Othman Al-Rumayyan, the governor of the PIF, added that the fund has "become a major engine in achieving the kingdom's Vision 2030 and a catalyst for diversifying the local economy's resources away from oil."

EXPANDING ASSET BASE

The PIF has been bulking up since 2018 in preparation for the 2030 initiative, increasing its asset base to SAR 1.5 trillion by the end of 2020, and doubling shareholders' return to 8% in 2019 compared to 2018, and 3% annually compared to between 2014 and 2016.

Over the past three years, the PIF and its various subsidiaries have injected more than SAR 170 billion into the Saudi economy and created 331,000 direct and indirect jobs.

PIF's next five-year strategy will raise the value of its assets under management to SAR 4 trillion, including SAR 1 trillion cumulative investment in new projects locally. The fund will increase the percentage of investments in new sectors from 15% in 2020 to 21% in 2021, the [governor](#) noted.

In addition, PIF will aim to create 1.8 million jobs and contribute SAR 1.2 trillion in non-oil GDP over the next five years.

The fund will zoom in on 13 vital and high-growth sectors such as food, agriculture, aviation, defence, entertainment, tourism, sports, minerals, mining, transportation, logistics, and financial services to accelerate returns.

"The selection of these sectors was evaluated based on the local and global perspective in terms of analysing the attractiveness of the market, its size, expected growth and available opportunities, evaluating the sectors in which the kingdom has a potential for development and a competitive advantage at the regional and global level, its impact on the economy, and prioritising the sectors according to the kingdom's Vision 2030 and its realisation programmes," the [governor](#) added.

DEFENCE 2030 GOALS

Saudi Arabia is also racing ahead to boost its defence and military industry, which is one of its key self-sufficiency goals by 2030.

In December, the PIF launched the National Security Services Company (SAFE), aimed at growing and nurturing the private security and defence sector in the kingdom.

"The company will integrate manpower and technology, and in addition to the security services, will deliver state-of-the-art training programmes that contribute to opening many employment avenues for Saudis in the security services sector, offering attractive benefits for personal and professional growth," the [company](#) said.

"SAFE's establishment is part of PIF's Investment Strategy, to contribute to Vision 2030 by launching and developing new sectors, localising cutting-edge technology and knowledge, and enabling the private sector."

In addition, the [King Salman Energy Park](#) (SPARK) is reportedly 60% completed, comprising infrastructure, roads, utilities and real estate assets established across 14 square kilometres (sq km), in addition to a dedicated 3 sq km logistics zone and dry port.

Around USD 1.6 billion has been invested in its first phase. The mega-project will add USD 5.8 billion annually to real GDP by 2035, while creating thousands of high-skilled job opportunities when fully completed.



To boost the kingdom's 4th Industrial Revolution credentials, the UAE-based start-up, Immensa Technology Labs said in [July](#) it was planning to open a 3D printing facility in Saudi Arabia, along with new offices in Abu Dhabi and the US.

In November, the company acquired two leading 3D printing companies in Saudi – Shaki3D and LayLabs – to boost its presence.

"We are pleased that this partnership came to life, and we have no doubt that the 3D printing sector regionally will reach new heights," said Eng. Omar Abuhabaya, general manager of the newly formed Immensa KSA and COO of [Immensa Group](#). "The additive manufacturing know-how of both Shaki3D and Immensa will enable massive deployment of AM digitisation solutions in the industry, and we are certain that the Saudi market will benefit from the various uses of 3D printing across all sectors."

Work is well under way across a range of sectors, not only on the massive mega-projects, but also the equally significant innovation sector in line with the Vision 2030 goals.

RIYADH TO TRANSFORM ITSELF INTO AN ECONOMIC POWERHOUSE

Saudi Arabia's capital is about to get a massive makeover.

Crown Prince Mohammed bin Salman announced that the kingdom's most populous city will soon see a new development to expand its economy and tourism potential.

The city accounts for half of the country's non-oil economy and is an efficient job generator, with the cost to create employment in the metropolis 30% lower than in other Saudi cities.

"All of Riyadh's features set the groundwork for job creation, economic growth, investment, and many more opportunities," the [Crown Prince](#) said in a conversation with senator Matteo Renzi, former prime minister of Italy and member of the board of trustees of the FII Institute at the Fourth Edition of the Future Investment Initiative during a panel titled 'The Future of Riyadh' on 28 January.

"We are therefore aiming to make Riyadh one of the 10 largest city economies in the world – today it stands at number 40, the 40th largest city economy worldwide," he said. "We also aim to increase its residents from 7.5 million residents today to around 15 to 20 million residents in 2030."

Riyadh also benefits from being a low-cost business destination, with the cost of real estate and infrastructure around 29% less compared to other cities. In addition, the capital's robust infrastructure also gives it an advantage as a destination.

PRIMED FOR BUSINESS AND TOURISM

Thanks to heavy investment in its transportation and digital network, the city is also gaining popularity as a business and tourist destination. The capital was ranked 53rd out of 109 cities in the [IMDB's Smart City Ranking in 2020](#). Riyadh jumped 18 places, one of the biggest leaps in the surveyed cities, compared to the year before.

The latest development will add to Riyadh's appeal, which is already in the midst of an ambitious upgrade, as the city will see projects worth billions of dollars completed over the next few years.

These include a quartet of projects that look to improve the quality of life, through parks, sports stadia and facilities, art installations and green spaces, and create touristic living spaces in the city.

The [King Salman Park](#), [Green Riyadh](#), [Riyadh Art and Sports Boulevard](#) are expected to be built for USD 23 billion, and raise the living standards



for citizens and create new landmarks for tourists.

[Al-Qiddiya](#), a USD 2.7 billion project located 40 kilometres outside the city centre, will focus on sports and cultural events, racing circuits and theme parks. In November, [Qiddiya Investment Company](#) (QIC) reported that it had awarded SAR 2 billion to Saudi companies. That included a SAR 1.1 billion, three-year development, to build major projects and bridges.

In January, [QIC](#) said it was in partnership with Intamin Amusement Rides, to begin the design process for 'Falcon's Flight', a signature attraction of Six Flags Qiddiya – a theme park set to be part of Qiddiya's first phase.

MASS TRANSIT PLAN

Underpinning these developments is a vast transit network that will connect the sprawling city.

The [Riyadh Metro](#), stretching across 176 kilometres (km) and 85 station will also reduce congestion, decrease pollution and boost connectivity

for the burgeoning city. It will be the world's longest driverless transport network, featuring 80 bus routes, covering 1,900 km and 3,000 bus stations.

"Like many cities, Riyadh is facing 21st century challenges: Its population of almost 7 million is expected to reach 8.3 million by 2030. Today, 89% of daily trips in the city are done by private cars, making the need for a public transit network imperative," according to the [Riyadh Development Authority](#) (RDA).

"The USD 27 billion investment in the public transit network will also increase productivity for both the city and its residents, while generating an excellent return on investment, with every USD 1 spent leading to USD 3.4 in public savings," the RDA noted.

In addition, the USD 4 billion [King Abdullah Financial District](#), featuring 59 towers for 50,000 residents will solidify Riyadh's growing prowess as a regional financial powerhouse.

INVESTMENT MAGNET

The Integrated Logistics Bonded Zone will also help attract international companies, encourage co-location and promote economic diversification.

The kingdom has ambitious tourism plans that spans other parts of the country, including NEOM City Project and the Red Sea Development on the west coast. But the focus on upgrading the capital city, which remains the economic hub of the country, will create new investment and tourism opportunities.

The investment is already paying dividends. Fahd bin Abdulmohsen Al-Rasheed, chief executive officer of the [Royal Commission for Riyadh City](#), noted that 24 international companies recently signed agreements to establish their main regional offices in Riyadh.

The companies included PepsiCo Inc., Schlumberger Ltd, Deloitte Ltd, PricewaterhouseCoopers, Restaurants Brands International Inc. subsidiary Tim Hortons Inc., Bechtel Corp., Bosch Group and Boston Scientific Corp., among others.

PANDEMIC FAILS TO DAMPEN SAUDI START-UPS' FUNDING PROSPECTS



The kingdom's start-up segment saw record funding in 2020, as Saudi Arabia witnessed the global trend of new businesses being set up during the coronavirus crisis.

Last year was clearly a time for great upheaval for the global economy, but it has also left gaps in the market and opened up opportunities for enterprising executives.

The kingdom's burgeoning start-up culture and an inviting platform for small teams with big ideas to find funding and venture capital led to a burst of activity in 2020.

"Against the backdrop of COVID-19, the KSA start-up ecosystem was the fastest growing of the top three leading hubs in MENA," according to [Magnitt](#), which tracks SMEs and start-ups in the MENA region. "In H1 2020, USD 111 million was raised with notable funding rounds including the USD 36.5 million and USD 18 million raised by food and grocery delivery start-ups Jahez and Nana, respectively."

All told, USD 152 million were raised in the year in the kingdom's start-up segment, a dramatic 55% increase compared to 2019 which saw USD 98 million raised for 65 new businesses.

The year saw 88 investments announced in the kingdom in 2020, with 67% of deals closing in the first half of the year. Among the most active investors were OQAL Angel Investors, Saudi Venture Capital Co., 500 Startups, Impact46, KAUST and Saudi Aramco.

"More international investors were active in Saudi Arabia in 2020 than in 2019," Magnitt said in its report. "Although the number of the venture capital institutions remained the same in 2020 (47), 17% of them were based outside of the kingdom, an 11% increase from 2019."

E-COMMERCE GRABS SLICE OF INVESTMENTS

In a sign of growing importance of e-commerce in a digitising world, the segment saw a fifth of all transactions, followed by 10% in fintech. IT solutions saw 8% of all funding deals, while education accounted for 6% of all deals.

In terms of the value of funding, e-commerce dominated with 45% of all monies being channelled into the sector.

Jahez, the food delivery company, raised USD 36 million – the biggest start-up deal in the country in 2020. The company's Series A funding round was led by Impact46, an advisor focused on alternative investment opportunities in Saudi Arabia.

"Our starting point when creating Jahez was to give restaurants the tools they need to remain competitive in a digital world. In the current climate in particular, we help restaurants, supermarkets, pharmacies, and other retailers gain access to a new digital channel and generate revenue by selling through Jahez," said Ghassab Al-Mandil, co-founder and CEO at [Jahez](#).

"With this funding round, we will further invest in building differentiated offerings, plugging the white spaces in the ecosystem, expanding in new verticals and developing our in-house technology, while keeping excellent customer experience at the core."

NEW INVESTMENT ERA

The focus on start-ups and SMEs will only accelerate as the kingdom embraces new technologies and as COVID-19 accelerates digitalisation.

"During the pandemic that hit the world in 2020, it became clear that traditional companies are not as safe as they thought," Talal Alasmari, founding partner at Raed Ventures, told [Magnitt](#). "Amidst this global crisis, I can seemingly visualise that the Kingdom of Saudi Arabia will have growth in embracing new technologies. I believe that the recent fast-paced development in technology will continue to place the kingdom among countries that adopt modern technologies, which will change all sectors in it permanently."

Saudi banks and financial institutions are also playing a major role in boosting funding for small to medium enterprises. Credit facilities to SMEs stood at SAR 176 billion by the third quarter, compared to SAR 115 billion during the same period last year, according to the [Saudi Central Bank](#).

The financial institutions raised funding for all segments, including micro, small and medium enterprises during the third quarter of 2020.

To add to financing options for SMEs, the [Saudi Central Bank](#) (SAMA) announced new rules in January to regulate debt crowdfunding activities. The new rules stipulate that crowdfunding companies must have a minimum paid-up capital of SAR 5 million for a license, although the central bank has the authority to raise or reduce the minimum capital according to market conditions.

The central bank aims to achieve several goals with its new rules, including attracting a new segment of investors and budding companies, encouraging innovation in financial services and providing modern financing products that can meet the needs of the beneficiaries, [SAMA](#) noted.

CENTRAL BANKS TO KEEP STATUS QUO ON INTEREST RATES

The world's central banks are in no mood to raise interest rates any time soon.

Jerome Powell, the US Federal Reserve chairman, said "a patiently accommodative monetary policy" is vital to bring the US unemployment rates down, which has reached 6.3% in January.

"In particular, we expect that it will be appropriate to maintain the current accommodative target range of the federal funds rate until labour market conditions have reached levels consistent with maximum employment and inflation has risen to 2% and is on track to moderately exceed 2% for some time," [Powell](#) said in February in a speech at the Economic Club of New York.

In addition, the Fed continued to increase its holdings of Treasury securities and agency mortgage-backed securities by USD 80 billion and USD 40 billion per month, respectively, until substantial further progress has been made toward its maximum-employment and price-stability goals.

The US economy grew 4% in the fourth quarter of 2020 according to the US [Bureau of Economic Analysis \(BEA\)](#), but annual GDP declined 3.5% during the year.

"The decrease in real GDP in 2020 reflected decreases in PCE (personal consumption expenditures), exports, private inventory investment, non-residential fixed investment, and state and local government that were partly offset by increases in federal government spending and residential fixed investment. Imports decreased," the BEA said.

DOLLAR LOSES STEAM

The US dollar has weakened as economic growth remains muted in the world's largest economy.

The US Dollar Index, which tracks a basket of major currencies, has declined 8.76% to 90.39 over the past 10 months, although year-to-date it has clawed back some of the gains with a 0.50% increase.

Among major currencies, the euro has been one of the biggest beneficiaries of the weakening US dollar, rising nearly 12% over the past 12 months against the greenback to trade around the USD 1.2133 handle.

But the European Union is also looking to stimulate the economy with loose monetary policy.



As expected, the European Central Bank (ECB), at its first meeting of the year, made no changes to interest rates or its asset-buying programme after moving in December to bolster its efforts to support the Eurozone economy.

The ECB left its deposit rate at -0.5% and its main refinancing rate at 0%. In an accompanying [press release](#), the central bank also affirmed it would maintain the "envelope" for its pandemic emergency purchase programme (PEPP) at EUR 1.85 trillion and would continue monthly purchases under the programme until at least the end of March 2022.

It added that if "favourable financing conditions can be maintained with asset purchase flows that do not exhaust the envelope over the net purchase horizon of the PEPP, the envelope need not be used in full. Equally, the envelope can be recalibrated if required to maintain favourable financing conditions to help counter the negative pandemic shock to the path of inflation."

The ECB will also continue its asset purchase programme at a pace of EUR 20 billion a month.

Sterling, however, has been on a tear against the US dollar, rising 5.30%

in the past three months alone.

At its first meeting for the year in February, the Bank of England's (BOE) monetary policy committee (MPC) assessed that the existing stance of monetary policy remains appropriate.

"The MPC voted unanimously to maintain bank rate at 0.1%," the [bank](#) said. "The committee voted unanimously for the Bank of England to maintain the stock of sterling non-financial investment-grade corporate bond purchases, financed by the issuance of central bank reserves, at GBP 20 billion."

Among emerging markets, the Chinese yuan has risen 7.45% against the greenback over the past 12 months, a clear beneficiary of the lacklustre dollar.

The People's Bank of China has rolled out a number of measures since early 2020 to support the pandemic-hit economy, but has shifted to a steadier stance in recent months.

China will also avoid a sudden shift of monetary policy, the central bank said recently, adding that it will balance economic recovery with preventing risks, [Reuters](#) reported.

SAUDI BONDS

The Saudi government continues to take advantage of low interest rates. In January, the kingdom's National Debt Management Center offered its eighth international issuance under the Global Medium-Term Note Programme.

The issuance was more than four times oversubscribed, with total orders amounting to more than USD 22 billion, according to the [Ministry of Finance](#).

"The kingdom will issue a total of USD 5 billion (equivalent to SAR 18.75 billion), consisting of two tranches as follows: USD 2.75 billion (equivalent to SAR 10.3 billion) for 12-year notes maturing 2033, USD 2.25 billion (equivalent to SAR 8.4 billion) for 40-year notes maturing 2061," the [ministry](#) said.

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