

IN THIS EDITION ...

The Saudi economy entered the final quarter of 2017 on a wave of optimism and improved economic prospects for the next year.

Crude oil prices jumped 7.7% in October alone to cross US\$ 60 per barrel for the first time in two years, which should help boost export receipts for the kingdom and create the fiscal cushion necessary to ease pressure on the economy.

The upbeat sentiment is also reflected in the latest PMI figures which saw an upturn in demand for Saudi-produced goods and services, leading to sharp growth in output.

Markit's latest survey shows incoming new business grew at a steep rate in October, while new export orders grew for the third month in a row.

Non-oil private sector companies in Saudi Arabia also continued to employ additional staff during the period. The latest increase extended the current sequence of job creation to 43 months, Markit added.

At the same time, Saudi Arabia is moving beyond oil. The Public Investment Fund (PIF) sponsored the Future Investment Initiative Forum, a conference that showcased opportunities available in the country.

A parade of global investors, with assets under management of US\$ 22 trillion, attended the global investor conference in Riyadh. They have been encouraged to participate in the kingdom's vast range of economic opportunities, ranging from real estate to renewable energy, and from manufacturing to mining.

In addition, PIF will spearhead the development of a brand new city, called NEOM, which will be backed by more than US\$ 500 billion of investment from the Kingdom of Saudi Arabia, the PIF, as well as local and international investors, over the coming years.

The project aims to provide solutions for transportation from automated driving to passenger drones; new ways of growing and processing food; patient-centred healthcare that emphasises on promoting holistic well-being; wireless high-speed Internet; and full scale e-governance, according to the company.

It is bold measures like these that will set the economic growth tone for Saudi Arabia.



ECONOMIC TRENDS

As regulatory reforms power ahead, the government hopes to create an environment that will draw foreign capital into the kingdom.

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TRADE

Huge demand for chemical products and basic metals has left the government upbeat, as plans are underway to develop the kingdom's multi-billion-dollar trade hub.

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OIL AND GAS

Steep production cuts by OPEC and non-OPEC countries have eased market surplus, helping push oil prices to two-year highs.

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RETAIL

Global and regional e-commerce platforms are particularly keen to explore wealth of opportunities in the kingdom's digital retail space.

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CURRENCY

With inflation remaining low and economic conditions holding ground, monetary-policy watchers are keen to know central banks' next step.

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COMMODITY

Industrial and precious metals post upbeat monthly figures, driven by a healthier economic outlook and buoyant consumption trends.

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SAUDI ENTERS NEW ERA OF ECONOMIC GROWTH



Saudi Arabia is gearing up for a new phase of economic growth, as authorities unveil a raft of fresh initiatives.

In October, the Public Investment Fund (PIF) arranged a global investor event that saw some of the world's biggest investors coming to Riyadh and highlighting the scope of developments available in the country.

[According](#) to PIF, speakers at the Future Investment Initiative Forum control a combined asset value of US\$ 22 trillion. Some of the key investors included Thomas Barrack, executive chairman, Colony NorthStar; Leon Black, chairman and CEO, Apollo Global Management, LLC; Victor Chu, chairman and CEO, First Eastern Investment Group; and Larry Fink, chairman and CEO, BlackRock.

Other asset managers in attendance included Kirill Dmitriev, CEO, Russian Direct Investment Fund; Jeffrey Jaensubjakij, managing director and Group CIO, GIC; Azman Mokhtar, director and CEO, Khazanah Nasional Berhad Malaysia; and Shahmar Movsumov, chief executive officer, State Oil Fund of the Republic of Azerbaijan.

"If you visit the kingdom every two years, you can't help but be impressed by the pace of change," Michael Dobson, chairman, Schroders, said during one of the panel discussions. "The regulatory changes we're seeing here (in KSA) will encourage investors."

And there is more change to come in Saudi Arabia.

The PIF [announced](#) during the forum that it aims to nearly double its assets under management to US\$ 400 billion by 2020, from US\$ 230 billion.

Underpinned by 30 major initiatives, the fund will create 20,000 direct domestic jobs, more than half of which are highly skilled roles, and 256,000 construction jobs, which will raise PIF's real GDP contribution to 6.3% from 4.4%, and increase the share of local content to more than US\$ 13 billion.

"The programme also encompasses efforts to maximise value in PIF's existing assets, which make up the majority of the Fund's holdings, and a new target to increase PIF's Total Shareholder Returns (TSR) up from 3% to between 4% and 5%," PIF said in a [statement](#).

MEGACITY TO RISE

The latest embodiment of this ambition is the US\$ 500 billion NEOM megacity, a major development on the Red Sea.

The [project](#), unveiled by Saudi Crown Prince Mohammed bin Salman al-Saud, will be independent of the government's administrative and legal framework. This also suggests that the planned city will largely operate as an economic zone, with its own commercial and tax laws. Located in the north-west of the kingdom, NEOM city will be spread over 26,500 square kilometres, bordering Jordan and across the Gulf of Aqaba from Egypt's Sinai Peninsula, to which it will be connected by bridge.

"NEOM will attract private as well as public investments and partnerships. NEOM will be backed by more than US\$ 500 billion over the coming years by the Kingdom of Saudi Arabia, the Saudi Arabian Public Investment Fund, local as well as international investors," [said](#) Crown Prince Mohammed bin Salman, who is also Chairman of the PIF.

The city will focus on nine specialised investment sectors such as energy and water, mobility, biotech, food, technological and digital sciences, advanced manufacturing, media, and entertainment.

ECONOMIC PERFORMANCE

Even as authorities look ahead, the economic downturn appears to be bottoming out.

The government is also expected to narrow the budget deficit to 8.7% of GDP in 2017, from 17.2% in 2016, largely as a result of higher oil prices

and "because clearance of arrears that widened the 2016 deficit by 4.4% of GDP will no longer be necessary," according to Fitch Ratings, which affirmed the kingdom's rating at A+, with a stable outlook.

Saudi authorities have suggested they would increase expenditure by 4% next year, but a number of revenue measures, such as the introduction of value added tax (VAT), should still lead to a significant improvement in the country's fiscal position. Saudi Arabia raised excise duties in June and expatriate levies in July, and is on course to raise energy costs.

While the economy contracted 1% in the second quarter, [according](#) to the General Authority for Statistics, the third quarter appears to be promising, with point-of-sales transaction rising 10% year on year and ATM withdrawals up 4% during the year, reaching SAR 67.7 billion – its highest level since May 2016.

Saudi Arabia's business sentiment has also shown tremendous improvement, as October signalled a strong start to the final quarter of 2017 for the non-oil private sector.

Markit's monthly purchasing manager index data shows sharp growth of both output and new orders, contributing to latest improvement in operating conditions.

"Business confidence improved during October, prompting firms to increase stocks of purchases at a record rate in anticipation of further improvements in economic conditions."

However, Saudi Arabian Monetary Authority's foreign reserves declined by US\$ 6.8 billion in August, month on month, but the slew of international bond issuance should help boost its coffers.

In late September, the government raised US\$ 12.5 billion in a bond sale, which was more than three times oversubscribed, underscoring strong international investor appetite in the Saudi economy.

The latest bond sale comes after two other large international bond issues over the last year – a debut and emerging market record bond issuance of US\$ 17.5 billion in October 2016, and a debut US\$ 9 billion international sukuk (Islamic bond) in April this year.

SAUDI BOLSTERS NON-OIL EXPORTS TO ASIAN COUNTRIES

Saudi trade figures sparkled in the second quarter as oil prices climbed this year, [according](#) to latest figures from the General Authority for Statistics.

Trade with Asian countries, in particular, surged during the period, reflecting the kingdom's overtures over the past year to boost trade and investment ties with the region.

Non-oil exports to China rose 18.1% during the second quarter compared to the same period last year, while India also saw a modest 1% jump. Exports to Singapore, Saudi Arabia's third largest oil export destination also surged nearly 43%. Overall, non-oil exports to Asian countries jumped 14.7% during the period, even as exports to other regional destinations such as the Gulf Co-operation Council, and Arab League nations fell.

Imports from Asian nations, however, declined 13.4%, but Chinese imports – Saudi Arabia's largest importing market – rose 1.1%.

TOTAL TRADE

Total merchandise exports of Saudi Arabia reached SAR 189 billion in the second quarter, compared to SAR 175.9 billion in the corresponding period of the previous year, or 7.5% higher. But total exports in the quarter were 8.5% lower than those in the first quarter.

Oil exports led the way, rising 10.8% to SAR 144.37 billion in the first quarter, compared to SAR 130.31 billion during the same period last year. However, oil exports in Q2 were 10.8% lower than those in the preceding quarter.

The kingdom's non-oil exports reached SAR 44.69 billion in the second quarter, compared to SAR 45.63 billion in Q2 2016, down by 2.1%. Also, non-oil exports in the quarter edged 0.3% lower as against the previous quarter.

Among non-oil export products, chemicals recorded a 7.1% year-on-year increase in the second quarter, while basic metals managed to eke out a 0.7% gain during the period. But other segments posted a decline, with transport equipment exports dropping 12.9%, machinery appliances receding 17.2%, foodstuff, beverages, vinegar and tobacco falling 17.2% and pearls, precious and false jewellery shedding 38.2%.

While overall exports were higher, imports were down 9.8% for the year, as the kingdom's consumption slowed down. Imports stood at SAR 126 billion for the quarter, compared to SAR 139.62 billion in the same period

of 2016.

Virtually all major import items declined, with machinery appliances falling nearly 15%, transport equipment down 26.2%, base metals losing 12.2%, chemical products dropping 10.3%, and plant products decreasing by 2.1%.

Lower imports have left the Saudi trade balance with a SAR 64 billion surplus for the quarter.

In addition, the positive export momentum seems to be maintained in the third quarter, with exports rising 11% in July and another 11.4% in [August](#), compared to the same two months last year.



Both oil and non-oil exports rose higher on the back of higher crude prices and greater trade in plastics and rubber, base metals and live animals and animal products.

NEOM: FUTURE TRADING HUB

In a bold move to accelerate non-oil trade, Saudi Arabia has launched NEOM, a megacity bordering Jordan and Egypt, which will serve as a trading hub.

Backed by the Public Investment Fund with possible investments of US\$ 500 billion, the metropolis project is expected to be an innovative economic hub. Equally crucial, it will be a new trading magnet, servicing some of the world's most promising regions such as the Middle East, Africa, Central Asia and Europe.

The location will also emerge as the main gateway to the King Salman Bridge, linking Asia and Africa, which will add to the zone's economic significance. NEOM's land mass will extend across the Egyptian and Jordanian borders, making NEOM the first private zone to span three countries, the company said.

"NEOM is situated on one of the world's most prominent economic arteries, through which nearly a tenth of the world's trade flows," according to a company [statement](#). "Its strategic location will also facilitate the zone's rapid emergence as a global hub that connects Asia, Europe and Africa, enabling 70% of the world's population to reach it in under eight hours, which brings the potential to combine the best of major global regions in terms of knowledge, technology, research, teaching, learning, living and working."

OIL RALLY SIGNALS MARKET COMING INTO BALANCE



Crude oil prices surged 7.7% in October to stand at US\$ 60 per barrel for the first time in two years.

Benchmark Brent crude, meanwhile, settled 47 cents or 0.7% higher to US\$ 61.37 per barrel at the end of October, close to its July 2015 highs, and up around 37% from its 2017 lows in June, according to Reuters data.

The Organisation of Petroleum Exporting Countries (OPEC) and its allies can take credit for the rise in crude prices, after they decided to adjust production by approximately 1.8 million barrels per day to the end of March 2018.

“While the process has not always been smooth given the severity of this cycle, I believe that if we look back over the past nine months or so, we can be happy with our collective efforts to overcome the challenges of the current oil market cycle,” Mohammad Sanusi Barkindo, OPEC secretary general, [told](#) energy executives at a conference in London.

“There is no doubt that the market is rebalancing at an accelerating pace; stability is steadily returning; and there is far more light at the end of the dark tunnel we have been travelling down for the past three years,” he said.

Indeed, September marked the highest conformity level by OPEC and non-OPEC members, reaching 120%, according to the OPEC-Non-OPEC producing countries’ Joint Ministerial Monitoring Committee (JMMC).

“Commercial oil stocks in the OECD fell further in September and the difference to the latest five-year average has been reduced by 178 million barrels since the beginning of this year, however, there remains another 159 million barrels of stock overhang to be depleted,” JMMC [said](#).

Crude oil inventories also show a 3.9-million-barrel decline by the third week of October, compared to the 2012-2016 historical average build for this period of 3.34 million barrels, according to data by the US Department of Energy.

OIL AND GAS ON RECOVERY PATH

Moody’s Investor Services believes the oil and gas industry in 2018 will continue its slow recovery as commodity prices remain range bound.

Having said that, improving credit metrics reflect significant changes to cost structures as exploration and production (E&P) companies have adapted to lower prices. Companies are repairing their balance sheets and improving credit quality, which should limit production growth.

“Commodity prices at the high end of our expectations would allow companies to reinvest more profitably and help oilfield services companies widen margins,” according to Moody’s.

On the demand side, OPEC now expects global oil consumption to rise 1.5 million barrels per day (bpd) this year, an upward revision of around 30,000 bpd, compared to its previous forecast

“Positive revisions were primarily a result of higher-than-expected oil demand from the OECD region and China. In 2018, world oil demand is anticipated to grow by 1.4 million bpd, following an upward adjustment of 30,000 bpd over the previous report, due to the improving economic outlook in the world economy, particularly China and Russia,” OPEC said.

OIL SECTOR NEEDS US\$ 10.5 TRN

OPEC’s latest annual World Oil Outlook (WOO) noted that oil will remain the dominant fuel source until at least 2040, accounting for 27% of the total energy mix, reaching 111.1 million bpd compared to 98 million bpd currently.

The growth will come despite advances in renewable energy development and the rise of electric car.

While US shale will eat into OPEC’s market share in the medium term, over the long run, OPEC will continue to dominate the supply side.

Demand for OPEC crude is projected to remain just over 33 million bpd until US tight oil peaks in the mid-2020s, after which demand for OPEC crude will rise steadily to reach 41.4 million bpd by 2040, WOO report stated.

But the challenge is that the oil industry is not investing enough to sustain rising demand, especially as investors and governments look to cut carbon emissions.

“This year’s WOO sees overall investment requirements of US\$ 10.5 trillion in the period to 2040. However, the recent crude oil price crash has led to nearly US\$ 1 trillion in investments being frozen or discontinued, and many hundreds of thousands of jobs lost,” according to the report.

OPEC has warned that while all 14 members are signatories to the Paris Agreement, and eight of them have ratified it, it should not come at the expense of economic growth and aspirations of resource producers.

“In particular, the unique situation of developing countries – including those developing countries dependent on oil – should be given the priority it deserves.”

RETAIL BOOM GATHERS STEAM IN SAUDI ARABIA

The retail sector in Saudi Arabia is gearing up for robust performance, as the economy picks up speed and e-commerce players start to take notice of the kingdom's untapped potential.

Value of point-of-sales (POS) transactions grew 10% during the third quarter of 2017 with the number of transactions rising 36.16%, compared to the same period last year, as consumer sentiment improved.

With the exception of clothing and footwear sector, which fell nearly 7% during the quarter compared to the previous period, all other sectors showed increase in sales. The value of POS transactions for restaurants and hotels jumped 17.55%, beverage and food climbed 14.33%, and recreation and culture sales rose 22%, [according](#) to data from the Saudi Arabian Monetary Authority.

However, the overall wholesale and retail trade, restaurants and hotels segment saw a slight 0.11% decline during the second quarter, reaching just over SAR 53.53 billion at constant prices, compared to SAR 53.59 billion, [according](#) to the General Authority for Statistics.

ROOM FOR GROWTH

Property consultant Jones Lang LaSalle (JLL) believes retail sector could spearhead the recovery in the overall real estate market.

"The retail sector saw little change in headline rents over Q3 and vacancy levels also remained relatively stable. With retail sales continuing to increase, this could be the first sector of the Riyadh market to recover," JLL said in its latest report on Riyadh's property market. "'Shopper-tainment' remains a key concept in the retail industry with increasing demand from entertainment, leisure and F&B tenants."

Another key driver of growth for the retail sector next year could be women, which have been allowed to [drive](#) by King Salman bin Abdulaziz Al Saud, starting next year.

"The growing participation by women in the workforce and plans to allow women to drive from next year will likely increase the spending power of women in Saudi resulting in increased demand for retail space," JLL said.

Around 44,000 square metres (sqm) of additional retail [space](#) in Riyadh alone entered the market in the third quarter, including the 21,000-sqm

Square 6, the 14,700-sqm Welfare Centre, and the 6,000-sqm Oud Square.

Other retail outlets about to be completed include Elite (11,000 sqm), Dheyafah (9,100 sqm), Turki Square (2,400 sqm) and Adh Dhahiah Center (2,200 sqm).

"Looking ahead, notable completions in 2018 will likely include Qurtuba Boulevard (72,000 sqm) and Reef Commercial Center (11,000 sqm)," JLL said.

E-COMMERCE PUSH

E-commerce players have also set their sights on Saudi market. Online retail giants, such as Amazon.com and eBay have disrupted global retail sector across most developed markets, and the trend is making its way into emerging markets like Saudi Arabia.

Noon.com, backed by the [PIF](#), opened in the UAE in October and is looking to enter the Saudi market. The e-commerce website has been launched as an "Arabic-first" platform, with offices in Dubai and Riyadh, according to a company [statement](#).

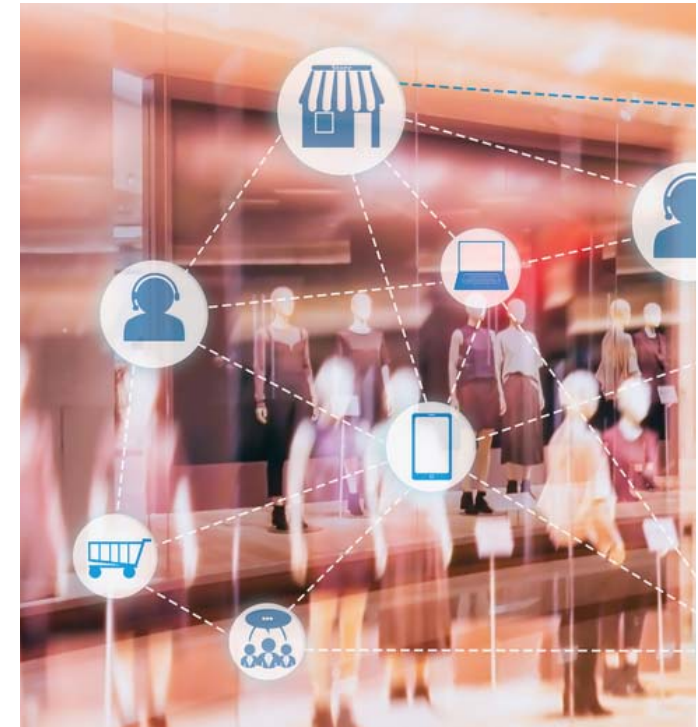
"Today, we are excited to deliver orders to our first customers. We are proud to take this important first step in our journey, and we are committed to making Noon the region's Arabic-first e-commerce platform," UAE businessman Mohamed Alabbar said in a statement at the launch of the company.

Meanwhile, Souq.com, which was acquired by Amazon.com, is already in Saudi Arabia and is planning to expand its presence. The country is especially coveted by retailers. Not only is it home to the region's largest retail market, it also boasts a young and Internet-savvy population, with significant disposable income.

According to Statista, the digital market data provider, revenue in Saudi Arabia's e-commerce market is expected to reach US\$ 5.45 billion in 2017.

"Revenue is expected to show an annual growth rate (CAGR 2017-2022) of 11.5% resulting in a market volume of US\$ 9,405 million in 2022," Statista said. "The market's largest segment is 'fashion' with a market volume of US\$ 1,679 million in 2017."

E-commerce retail penetration is at 35.2% in 2017 and is expected to hit 53.5% in 2022, while average revenue per user (ARPU) currently stands



at US\$ 469.43, Statista research shows.

Although the Saudi e-commerce retail sector is promising, it faces a few challenges, such as lack of postal codes, and the rooted habit of citizens and expatriates to visit malls as an entertainment, leisure and family activity.

As e-commerce catches on in the kingdom, the established retail players will also raise their Internet strategy and create online stores to maintain market share. That would ultimately lead to thinner margins for retailers, but better service and quality for consumers.

WORLD AWAITS CENTRAL BANKS' MOVE ON QUALITATIVE EASING

Central banks are caught between a rock and a hard place. On the one hand, they are under tremendous political pressure to declare victory and exit early from unconventional monetary policy, with critics repeatedly warning of bubbles and runaway inflation and, in some cases, threatening the independence of the banks.

On the other hand, their 2% inflation targets may have made sense when they were adopted, but they clearly don't offer adequate policy space today. If the equilibrium real policy rate and term premiums are permanently lower, then visits to the zero-rate era could be a regular feature of future recessions.

Adding to the immediate challenge for central banks is the fact that inflation and interest rates remain low.

“Our hope is that a growing recognition of this problem puts some sand in the exit gears of central banks over the next several years. With a little



luck, the US Federal Reserve should be able to overshoot its inflation target before the next crisis hits,” said Bank of America Merrill Lynch (BoAML) analysts.

The Bank of Japan (BoJ) has been able to raise inflation from negative to zero and, again with a little luck, hopefully inflation will inch up further before the next consumption tax hike in October 2019. Unfortunately, the European Central Bank (ECB) has yet to flag the policy space problem and continues to be much too optimistic about the return of normal inflation.

NEW FED CHAIR

The US government has injected another uncertainty by nominating Jerome Powell to replace Fed chairman Janet Yellen. If approved by US lawmakers, he would start as early as 3 February 2018.

Widely viewed as a consensus builder, Powell is expected to be more tolerant of a stronger growth profile and more rapid inflation relative to Yellen who has consistently targeted a “moderate” growth rate. Hoping to stimulate the economy and sustain improvement, the White House is stacking the deck with like-minded officials who will welcome and promote the US president’s agenda.

In the meantime, the Fed maintained interest rates, potentially setting itself up for a rate hike in December.

At present, the US administration is focused on accomplishing significant tax reform and accelerating the domestic economy to an above trend pace of 3% GDP – or more.

A substantial acceleration in the domestic economy, while difficult to imagine after years of lacklustre activity, could furthermore pose a dilemma for the Fed. A vast improvement in domestic product would likely prove inflationary, prompting the Federal Reserve to tighten at a faster pace than previously projected.

In addition, the US dollar is rallying after declining around 13% against a basket of currencies, on the back of a US tax reform plan. However, the dollar index is now down 5.5% year to date.

ECB UNWINDS STIMULUS

Across the pond, ECB president Mario Draghi delivered a major policy shift in October, cutting the bank’s monthly bond-buying amount in half while leaving markets guessing as to whether quantitative easing will

remain open-ended, since there is no sign of rate changes until well into 2019. Despite trending lower over the past three months, the euro is up just over 10% against the greenback for the year to US\$ 1.1619.

Meanwhile, Bank of England (BoE) governor Mark Carney delivered the rate hike that he had previously signalled. BoE raised its overnight rate 25 basis points (bp) from 0.25% to 0.50%, in response to increasing tightness in the labour market. But the vote wasn't unanimous and amidst ongoing uncertainty surrounding the impact of Brexit and only modest economic growth, the BoE’s communication was non-committal in terms of further rate hikes.

The British pound is up 6.2% against the US dollar to US\$ 1.324.

In Japan, prime minister Shinzo Abe’s decisive victory in the elections means more of the same in terms of additional fiscal stimulus and loose monetary policy with BoJ governor Haruhiko Kuroda still at the helm.

Risk appetite over this period has also been pretty buoyant, as all major equity indices posted positive returns, with the Nikkei leading the way. USD/JPY has risen from JPY 112.19 to a high of JPY 114.40 in the past fortnight, but a sustained break above JPY 114 remains elusive, according to analysts. The yen is 3% higher against the US dollar since the start of the year to JPY 113.63.

In China, president Xi Jinping outlined his five-year plan for the country in October, aiming to achieve minimum annual growth of 6.3% and better living standards for the Chinese people.

Globalisation was featured as an integral part of reforms, as Xi mentioned that the barriers for foreign businesses, including foreign banks, will be lowered.

“We see higher participation of foreign players in China’s banking sector as a key stepping stone for RMB internationalisation,” according to National Bank of Australia.

The yuan is up 4.6% against the US dollar this year to CNY 6.644.

COMMODITY PRICES SURGE ON GLOBAL RECOVERY AND RISING DEMAND

October turned out to be another stellar month for commodities on the back of improving global economic sentiment and rising demand. Even the US dollar's slight appreciation during the second half of the month failed to dampen commodities' prospects.

"The largest risers last month were spread evenly across energy, base metals and agricultural commodities," according to Capital Economics. "Looking at the performance since the start of the year, metals account for almost all of the largest gains, whilst agricultural commodities make up four out of six of the biggest losers."

Nickel was the star performer, rising by close to 18% month on month, boosted by an upturn in China's nickel-based stainless steel production and fears of lower mine supply from the Philippines. The rise in price came despite the huge supply of nickel.

In contrast, the price of tin fell during the month. This can be attributed to several factors, including a surge in Shanghai stocks and a pick-up in Indonesia's exports. Meanwhile, a downturn in global production, led by China, supported the price of aluminium in October.

Slower growth in China's car production is somewhat at odds with the strength of lead prices, despite a dip the month before. Elsewhere, the cuts to China's steel capacity is supporting steel prices, but undermining iron ore prices, leading to a break in the industrial metals' traditionally close relationship.

However, prices of the precious metals, such as gold, declined in October, partly due to the US dollar's strength and an upward revision to expectations for further tightening policy from the US Federal Reserve. Markets are now pricing in a 70% probability of a December rate hike.

"But easing geopolitical concerns have also put a cap on prices, notably of gold, over the past month. Indeed, the Japanese yen – another safe-haven asset – has also weakened in recent weeks," according to Capital Economics. "What's more, demand for gold from key consumers – China and India – remained subdued."

THIRD QUARTER

Overall, non-energy commodity prices rose more than 2% during the third quarter of 2017, with metal prices running up 10% on strong demand from China and other emerging economies. Precious metals grew a more subdued 1% during the period, while agriculture and food prices declined 1%, reflecting softer prices for maize, rice, and other food items, such as sugar.



According to the World Bank's October Commodity Forecast, metal prices are projected to ease slightly in 2018 following an expected 22% rise this year.

"A 10% fall in iron ore prices is anticipated to be offset by increases in all base metals prices, particularly due to mine supply tightness in lead (China), nickel (Australia), and zinc (Australia and the US)," the World Bank forecasts.

While upside risks could emerge due to surging global demand and production outages, downside risks include slower-than-anticipated demand from China and greater-than-expected production, including the restart of idled capacity and an easing of production restrictions in China, according to the bank.

However, precious metals face tougher headwinds as interest rates are expected to rise next year, which would likely result to a 1% decline in 2018, the World Bank said.

The bank expects silver prices to ease, in line with investment demand for gold. Platinum prices are seen climbing 4% on increasing catalyst demand and tightening mine supply next year.

"Upside risks to the forecast include widening geopolitical tensions, delays in central bank rate increases, a weaker-than expected dollar, and a mine supply shortfall. Downside risks include stronger economic growth, rising equity markets, a stronger-than-anticipated dollar, and weaker physical demand," World Bank noted.

A Reuters poll in October echoes the bank's prognosis on precious metal prices. According to the survey, gold is likely to remain static for another year in 2018 as rising US interest rates clip momentum, "while silver forecasts were cut again after the metal lagged forecasts in the third quarter."

MA'ADEN'S RESULTS

Aluminum and phosphates, the two commodities produced by Saudi Arabian Mining company, or Ma'aden, are also expected to see mixed prospects.

Ma'aden's [results](#) for the third quarter reflected the overall jump in commodities, rising 122% compared to the same period last year, on higher aluminium prices, and increase in the company's share of the Ma'aden Barrick Copper Co joint venture. During the third quarter, Ma'aden said it produced 744,000 tonnes and sold 770,000 tonnes of ammonium phosphate fertilizer. Production increased by 11%, and sales increased by 5% compared to the third quarter, according to a company presentation to investors.

Ma'aden produced 620,000 tonnes of ammonia, an increase of 99% compared to the same quarter last year and sold (external) 470,000 tonnes- a 211% surge compared to the same quarter last year.

The company attributed the increase in sales volume of ammonia to the start of commercial operations of the Ma'aden Wa'ad Al Shamal Phosphate Company ammonia plant. The company aims to ramp up production from its ammonium phosphate fertilizer plant in Wa'ad Al Shamal.

"Next wave of gold and phosphate projects at advanced stages, and it is "looking for opportunities outside the Kingdom to support our position in base metals and in fertilisers," the company told analysts.

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