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IN THIS EDITION ...

News of two promising vaccines to counter the coronavirus has helped lift spirits across the world, push equity markets and oil prices higher, and generally injected people with a sense of optimism.

Amid the pandemic-induced global downturn, the Saudi economy has held up better than most other economies.

The government's revenues in the third quarter stood at SAR 216 billion in Q3 2020, up 4% or SAR 8 billion year on year, led by non-oil revenues, which rose 63% to SAR 122.99 billion.

Deferred taxes from the second quarter received in the third quarter, along with higher receipts from a hike in value added taxes, helped the government generate more revenues, Ministry of Finance data shows.

Government expenses also rose 7% year on year in the third quarter to SAR 256 billion, as the government stepped up efforts to roll-out fiscal measures to support the private sector and its citizens. Subsidies rose 215%, grants 74% and social benefits 26%, as the Saudi government took concrete steps to help the economy and its participants.

The new pre-budget statement for 2020-21 notes that the government is taking more steps to boost the country's economic recovery.

"The budget of FY 2021 enables the implementation of economic and fiscal reforms in light of the Saudi Vision 2030," the Ministry of Finance said in a statement. "In this context, the budget will support the continued implementation of the VRPs (Vision Realization Programs) and initiatives to deliver the desired outcomes of the Vision."

Over time, the government also aims to reduce deficit by 0.4% in 2023, compared to 12% this year.

The private sector can also look forward to more business activity as the government accelerates investment in key projects and initiatives.

"Budget allocations for 2021 aim to provide more opportunities for funds and the private sector to participate in infrastructure development projects," the ministry noted. "Total expenditures are estimated to reach SAR 990 billion and SAR 941 billion in 2021 and 2023, respectively."

These slew of developments should ensure that the Saudi economy is set up for higher growth.

ECONOMIC TRENDS

Bold leadership is crucial as the world deals with the social and economic impact of an unprecedented health crisis.

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PETROCHEMICALS

Despite the setback from the coronavirus, the sector is poised to deliver growth as the world prepares for a post-COVID-19 future.

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BUSINESS SENTIMENT

Consumer and business confidence in the country mirrors the effective steps taken by the government to buffer the pandemic's impact.

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RETAIL

Retail companies are bucking the trend, as the health crisis altered consumer behaviour in favour of online shopping.

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RENEWABLE ENERGY

From luxury ecotourism and sustainable desalination to wind and solar farms, the country looks to clean energy to future-proof its economy.

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COMMODITY

Hard hit by the lockdown, metals and minerals regained some equilibrium in the third quarter after countries worldwide restarted their economies.

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G20: SAUDI SHOWS HOW TO LEAD IN A CRISIS

As Saudi Arabia assumed the G20 presidency this year, it played a leading role in tackling one of the most difficult challenges facing the global economy.

The kingdom's year-long presidency culminated in a virtual event in Riyadh on 21 to 22 November, bringing together 19 countries, along with the European Union. These countries were Argentina, Australia, Brazil, Canada, China, France, Germany, India, Indonesia, Italy, Japan, Mexico, Russia, Saudi Arabia, South Africa, Republic of Korea, Turkey, the United Kingdom, and the United States.

This year, Spain, Jordan, Singapore, and Switzerland were also invited as guest countries. A number of multilateral entities such as the International Monetary Fund also attended the annual event.

In the lead up to the Riyadh Summit, the kingdom has presided over a series of ministerial meetings throughout the year that shape the critical policies that would help protect the world against the coronavirus. It also focused on long-term challenges in the areas of agriculture, digital economy, energy, environment, employment, finance, health, tourism, and trade.

The virus has strained government finances across the world and are taking a toll on people's savings, investments and businesses, apart from the tragic deaths that are now in hundreds of thousands.

REVIVING GLOBAL ECONOMY

While two new separate promising vaccines suggest that there is light at the end of the tunnel, a mass rollout of the vaccines is some time away.

As such G20 states under the kingdom's presidency have moved swiftly to address challenges facing the more vulnerable economies.

"The Saudi G20 Presidency continues to move forward with its inclusive and bold agenda, in co-operation with G20 countries, in times of crisis. The 2020 G20 Presidency Agenda is committed to advance co-ordinated policy options to progress human wellbeing, a resilient recovery and sustainable future for all by empowering people, safeguarding the planet, and shaping new frontiers," the G20 said in a joint communique.

The member countries also pledged to support businesses, trade, jobs, and industries, and have overall taken measures in the areas of fiscal and monetary policies and guarantee schemes, to the tune of USD 11 trillion to ensure the financial well-being of the global economy and protection of the global financial systems.

Saudi minister of commerce Dr. Majid bin Abdullah Al-Qassabi notes that the kingdom has spearheaded many initiatives to address the pandemic and reduce its negative impacts.

"In addition to accelerating the recovery process by allocating more than USD 21 billion to support health systems and the search for a safe vaccine for the coronavirus," the minister told the Saudi Press Agency. "Saudi Arabia has also intensified the co-operation to confront the pandemic with the aim of reviving the economic cycle, reducing the damage facing investors and addressing the vulnerabilities that emerged during the pandemic."

ROBUST SUPPLY CHAINS

While Saudi Arabia has an eye on global affairs, it is also creating robust domestic frameworks at home to ensure smooth functioning of the economy and support for the private sector.

In November, The Saudi British Bank (SABB) signed an agreement with the kingdom's Ministry of Finance to finance the ministry's supply chain, in collaboration with National Debt Management Center. Two other major Saudi banks signed the agreement with the ministry.

The agreement includes developing a financial tool for the ministry's cash and liquidity management, aimed at easing government payments to private sector suppliers.

"We are delighted to have the opportunity to play a leading role in developing the kingdom's financial sector. As a stronger, merged bank, we promise to work harder than ever to create more growth opportunities for the kingdom," said David Dew, SABB's managing director, noting that the government and banks are fast tracking the kingdom's financial development.

"Everybody wins when we collaborate to make doing business in the kingdom easier- and the new Supply Chain Financing Agreement is a great example of that," Dew said.

ECONOMIC CHANGE

Saudi Arabia's gross domestic product in the third quarter fell 4.2%, according to a flash estimate by the General Authority for Statistics and Information, but that was to be expected as across the world, governments are focused on fighting the virus and saving people's lives.

The Saudi economy had declined 7% in the second quarter.

Despite the short-term blips, the minister of investment Eng. Khalid bin Abdulaziz Al-Falih, noted that Saudi Arabia will persist with its plans to diversify the economy, create jobs and proceed with a number of large-scale projects and initiative that will reshape the economy in line with Vision 2030.

The minister also said the kingdom is investing "in the fields of industry, health, biotechnology and pharmaceutical industries, expressing his optimism about the future of investment in the kingdom, despite the global decline in its rates, especially since economic reforms, empowering youth and establishing special economic zones will help the kingdom recover from the impacts of the pandemic."

Saudi's outlook should also improve as oil prices have rallied on the back of vaccine announcements, and demand in key oil consumers such as China and India is returning to normal levels.

Fitch Ratings, which affirmed the kingdom's A rating, expects the country's fiscal deficit to narrow gradually to about 8% of GDP in 2021 and 5% of GDP in 2022, assuming Brent oil price recovers to an average of USD 50 per barrel by 2022 and growth in the kingdom's crude oil production stands to 9.7 million bpd by 2022.

"The full-year effect of this year's VAT rate increase, the expiration of coronavirus-related spending and recovery in the non-oil economy will help narrow the fiscal deficits in 2021-2022," the ratings agency said.

NEW DEALS HIGHLIGHT OPPORTUNITIES IN SAUDI PETROCHEMICALS

Jubail and Yanbu Industrial Cities Co. (JYIC), owned by the Royal Commission for Jubail and Yanbu (RCJY), signed a deal with Saudi Arabia Basic Industries Corp. and Dutch firm Vopak Holding Terminals BV to acquire a 20% stake partner in Jubail Chemical Storage and Services Company (Chemtank).

The deal is vital in achieving goals set out by the National Industrial Development and Logistics Program, a key initiative of Saudi Vision 2030, building on the long-term partnership between SABIC and will allow Royal Commission Cities to achieve sustainability and efficiency.

"It invests in the development of the industrial investor logistical services sector, which plays an active logistical role in serving industries, especially petrochemicals," according to Abdullah Al-Saadan, president at RCJY. "This will help create an attractive environment and enhance capabilities of the business sector."

The partnership sets the stage for Chemtank to deliver further growth, said Eelco Hoekstra, CEO of Royal Vopak.

"The entry of JYIC cements a partnership in which the Royal Commission, SABIC and Vopak have jointly collaborated over the past 20 years to create a world-class supply chain infrastructure in Jubail and Yanbu," said Hoekstra.

After the deal, SABIC will acquire 58% of the company and Vopak Holding Terminals BV will own 22%.

SABIC RESULTS

SABIC has now been fully integrated in Saudi Aramco, and has helped the company maintain its position as one of the world's largest refining businesses, with refining capacity of 6.4 million barrels per day (mbpd) by the end of September.

"Following the successful close of the SABIC transaction, the third quarter of 2020 marks the first full quarter in which SABIC's financial results are incorporated into Aramco's Downstream results. Integration with SABIC continues to progress and drives forward the Downstream strategy of creating value from integration across the hydrocarbon value chain," Aramco said in its third quarter results.

Aramco's downstream segment consumed 39.5% of its crude oil production, which helped to ensure a secure and reliable supply of refined products to its customers.

As oil and petrochemical product prices fell during the period, Aramco's downstream earnings before interest and taxation (EBIT) for the first nine months of 2020 stood at a loss of USD 6.208 billion, compared to a profit of USD 1.299 billion during the same period last year.

"EBIT in the first nine months of 2020 was primarily impacted by inventory re-valuation losses and lower refining and chemicals margins, stemming from the macroeconomic difficulties brought on by the COVID-19 pandemic," the company said.

NEW PROJECTS

Saudi Aramco and SABIC are also considering integrating existing refineries in Yanbu, with a mixed feed steam cracker and downstream olefin derivative units, as part of their planned oil-to-chemicals project.

"This is done by taking into consideration both companies' future plans and opportunities. SABIC and Saudi Aramco are looking at opportunities for integration with existing facilities to maximise the economic value while evaluating the optimal technical options and market risks," SABIC said in a Tadawul filing.

"Consequently, both parties intend to re-evaluate the scope of the crude-oil-to-chemicals (COTC) complex project and study the integration of Saudi Aramco's existing refineries in Yanbu with a world-scale mixed feed steam cracker and downstream olefin derivative units."

The planned full-integrated complex, first proposed in 2017 and initially scheduled for completion in 2025, is expected to process 400,000 barrels per day of crude oil to produce about 9 million tonnes/year of petrochemicals.

HOPE ON THE HORIZON

While the petrochemicals sector is feeling the impact of lower product demand due to COVID-19 and subdued economic activity, the news of a promising new vaccine suggests that the industry can look forward to robust growth next year.

The Saudi petrochemicals sector is among the best positioned to take advantage of the global economic upturn.

Indeed, the kingdom is proceeding with a number of projects.

Earlier this year, Saudi firm Advanced Global Investment (AGIC) and South Korea's SK Gas Petrochemical (SKGP) said they will go ahead with

a USD 1.8 billion propane dehydrogenation (PDH) and polypropylene (PP) project in Jubail. Construction on the 843,000 tonnes per year (t/yr) PDH facility and 800,000 t/yr PP units is expected to start in 2021.

UK-based INEOS Group Holdings S.A. has also pledged to build three new plants in Jubail, its first investment in the Middle East, in collaboration with partners Aramco and France's Total SA.

A new state-of-the-art 425,000 tonne acrylonitrile plant will use INEOS technology and catalyst, and will be the first plant of its kind in the Middle East when it starts up in 2025.

INEOS will also build a 400,000 tonne linearalphaolefin (LAO) plant and associated world-scale polyalphaolefin (PAO), which claim to be the most energy efficient in the world when they begin production in 2025.

Swiss bank UBS Global Wealth Management believes Saudi Arabia is among the countries that will benefit as the world rush towards supporting energy transition.

"Saudi Arabia has competitive advantages in both renewable and non-renewable energy. In addition, the kingdom's economically advantageous access to hydrocarbons means it has potential to diversify into the growing sector of petrochemicals, which taken together can help ease fiscal strains, boost economic diversification, and create jobs," said Abdallah Najia, head Saudi Arabia at UBS Global Wealth Management.

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SAUDI CONSUMERS RESILIENT IN FACE OF COVID-19

Consumer and business sentiment in Saudi Arabia is improving as the government implemented measures to counter the coronavirus and support its citizens, the private sector and the wider economy.

A new survey by polling firm Ipsos saw consumer sentiment in the kingdom among the most bullish in the world.

"Saudi Arabia has regained its number one rank when it comes to the current state of its economy, with China coming in second among all 24 markets surveyed," Ipsos said in a recent report. "On the other hand, the country also remains in second place globally with consumers (80%), believing the kingdom is heading in the right direction, a slight increase from the previous month."

Saudi consumers also came fifth globally in terms of their personal financial situation, with 19% reporting that their personal financial situation remains robust, only preceded by Sweden, China, the US and the UK.

As many as 56% of the Saudis surveyed said they were more comfortable about their ability to invest in the future compared to six months ago, including their ability to save money for their retirement and children's education. That percentage was higher than the 44% global average.

The Primary Consumer Sentiment Index is a global index that Ipsos conducts monthly across 24 countries in conjunction with Thomson Reuters. The index assesses consumer perceptions towards the current and future state of consumption and investment in the local economy, and the consumers' personal financial situation. It also measures consumers' confidence to make large investments, and ability to save.

Saudi consumers told Ipsos that they felt the investment climate in the country was strong, at 59.2 points, head and shoulders above the global average of 35.1 points.

Majority of Saudi consumers (62%) also indicated more comfort in making major purchases, compared to six months ago.

POS TRANSACTIONS ON THE RISE

Consumers are also opening their wallets, as economic conditions improve.

The value of transactions through points of sales (POS) in the kingdom rose to SAR 33.21 billion in September, up by 33.7% compared to the same period last year.

Meanwhile, the number of transactions through POS nearly doubled, to 96.67% year on year (YoY) in September to just over 292 million, compared with 148.5 million in September 2019, according to data from the Saudi Central Bank.

Mobile transactions also jumped to its highest ever level, as consumers responded to Saudi banks' efforts to boost ecommerce, mobile payments and remote purchases in light of the pandemic and social distancing measures.

Mobile transactions rose to 72.2 million, a 495% jump compared to 12.1 million in September of the previous year. Meanwhile, sales using mobile phones rose 471.6% to SAR 6 billion in September, compared to the same period last year, Saudi Central Bank data shows.

McKinsey & Co. believes Saudi consumers' income and savings did not see massive declines as elsewhere in the world due to government support.

"Consumers are not yet fully comfortable going back to 'regular' out-of-home activities and are waiting for milestones beyond government lifting restrictions to return to normal patterns. Thus, they have started adopting new digital and low-touch activities, including grocery delivery," the management consultancy said.

BUSINESS OUTLOOK IMPROVES

Business activity also appears to be coming back. The latest IHS Markit Saudi Arabia PMI (purchasing managers index) rose to 51 points in October, compared to 50.7 in September. A figure above 50 indicates improving economic conditions.

The IHS data shows that the non-oil economy saw its quickest acceleration since February. Companies reported higher activity, increased sales, new contracts, and resumption of a number of projects.

"Efforts to increase output at Saudi Arabian companies led to a renewed expansion in purchasing activity in October. Firms also looked to build stocks, as inventories of purchased items rose at the strongest pace since July. As a result, firms were able to improve capacity, which allowed them to reduce backlogs more quickly," IHS Markit noted.

Companies also reported that their costs were under control, although inflation had picked up due to higher value added taxes.

The research firm did note that the economic rebound since restrictions eased have been countered with some businesses facing financial issues.

"Many businesses are hopeful that growth will strengthen in the coming 12 months, but there remains a high number of firms uncertain that markets can be fully revived with COVID-19 infections still prevalent around the world," IHS noted.

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SAUDI RETAIL POISED FOR GROWTH AS ECOMMERCE THRIVES

Investors sent a clear signal in October about their confidence in the kingdom's retail sector when grocery chain BinDawood Holding listed its stock on the Tadawul at the top of the company's initial price range.

The company floated 20% of its share capital, giving it a market cap of USD 2.93 billion at the time of listing, with oversubscriptions exceeding 50 times, to SAR 110 billion.

"Listing on the Tadawul serves as a powerful message to our customers, to our investors and to the sector," the company's chief executive officer Ahmad Abdulrazzaq BinDawood, said in a statement. "We raised a substantial amount of money, we have attracted a strong set of investors who believe in us, and in our long-term strategy of becoming the dominant grocery retailer in KSA."

The company boasts two leading grocery retail brands in Saudi Arabia: BinDawood and Danube, with 73 stores and 140,000 products. The company aims to expand its stores to 80 by the end of 2021.

BinDawood estimates that the domestic and global retail sector has seen a major increase during the past year with the direct-to-consumer model driving meaningful sales and growth.

"Saudi Arabia's retail grocery market was valued at SAR 57 billion in 2019 and is set to grow at 5% per year through to 2024. We are well positioned to capitalise on positive market trends going into 2021 and beyond," BinDawood said.

"We have several growth levers we are looking at to drive this growth, which include: in-store shopping experience, developing further our online sales through our two e-commerce platforms and maintaining our disciplined approach to cost management, using new technology, innovations and digital tools."

UNSHAKEN BY COVID-19

The BinDawood IPO comes at a time of rapid growth in the country's retail sector, despite the short-term impact of COVID-19.

Saudia Dairy & Foodstuff Company said in its second quarter (which ended in September) results that it signed a non-binding memorandum of understanding to purchase and expand its controlling stake in Horizon Food Company Ltd, Al Khobar, from Tabuk Agriculture Development Company after due diligence.

SADAFCO's sales grew 2.7% in the quarter to SAR 535 million, compared to the same period last year, while net profit surged 7.9% year on year.

The company commands a 62.7% market share in UHT milk, 50.3% in tomato paste and just over a quarter in ice cream.

Among other retail and food companies, Savola Group also announced a 27.9% jump in net profit during the past quarter, compared to the same period last year.

"Revenues of SAR 9.1 billion in year-to-date September 2020, showing YoY growth of 12%," the company said in an earnings presentation. "The growth is mainly driven by higher like-for-like grocery demand during the first half of the year due to the shift in consumer behaviour for dine-in and pantry loading."

GLOBAL RETAIL EXPANSION

While Saudi domestic retail players are expanding their presence in the kingdom and across the region, sovereign wealth fund Public Investment Fund is also eyeing global opportunities in the retail sector.

In November, PIF announced that it would buy a 2.04% stake in India's Reliance Retail Ventures Ltd (RRVL).

RRVL is one of the leading players in India's physical retail market and boasts 12,000 stores across the country. It is revolutionising the South Asian country's retail sector with a transformational 'New Commerce' strategy.

"This investment further demonstrates PIF's commitment to generating returns for the Saudi people and driving the economic diversification of Saudi Arabia," said Yasir Al-Rumayyan, Governor of PIF.

India's retail sector is one of the world's largest and accounts for over 10% of its gross domestic product (GDP), which presents meaningful growth potential.

"We at Reliance have a long-standing relationship with the Kingdom of Saudi Arabia. PIF is at the forefront of the economic transformation of the Kingdom of Saudi Arabia," said Mukesh Ambani, chairman and managing director of Reliance Industries. "I welcome PIF as a valued partner in Reliance Retail and look forward to their sustained support and guidance as we continue our ambitious journey to transform India's retail sector for enriching the lives of 1.3 billion Indians and millions of small merchants."

The investment in RRVL follows an earlier acquisition of a 2.32% stake in Jio Platforms, the digital services subsidiary of Reliance Industries, strengthening PIF's presence in one of the world's most promising emerging economies.

GREEN ENERGY POWERS ON IN SAUDI ARABIA

The environment-friendly Red Sea Project is the latest example of Saudi Arabia's efforts to build a sustainable and diverse economy that takes into account climate change issues.

In November, The Red Sea Development Company (TRSDC) said it had awarded more than 500 contracts to international and local firms to build its regenerative tourism initiative.

"By the end of 2020, many more contracts will be awarded including for the airport terminal, an airport operator, and a major public-private partnership (PPP) utilities package that will secure 100% renewable energy generation, water desalination, waste treatment and district cooling. Together, these contracts will take aggregate commitments to a total approaching SAR 15 billion (USD 4 billion)," the company said.

The company is also collaborating with King Abdullah University for Science and Technology (KAUST) to rollout a Marine Spatial Planning (MSP) programme that maps out land and coral reef conservation areas at the site and will improve preservation of the ecologically sensitive areas. The development's master plan features the development of only 22 islands from more than 90 in the archipelago.

TRSDC and the kingdom's Ministry of Environment, Water and Agriculture also signed a memorandum of understanding to implement and regulate the development's environmental work and studies.

"We're going beyond the current expectations of sustainable tourism at TRSDC. To ensure that we are doing all we can to become standard-bearers in luxury ecotourism, we aim to be one of the first global destinations to demonstrate a regenerative tourism approach," said John Pagano, TRSDC's CEO.

DESALINATION TECHNOLOGY

Meanwhile, MEWA also signed a five-year deal with the US Department of Energy to collaborate on desalination science and technology.

This memorandum of understanding aims to boost bilateral ties in the area of desalination industry, capacity-building and exchange of scientific, practical and technical expertise in desalination science and technology.

"This agreement includes the sharing of knowledge and information, cross-training, as well as collaboration on joint research and development projects for advanced technologies in the field of desalination, harvesting of valuable minerals from seawater brine and zero liquid discharge," the two parties said.

The kingdom's Saline Water Conversion Corporation's Desalination Technology Research and the US Department of Energy will advance water research to develop "a better and greener world where desalinated water is widely affordable and desalination brine is no longer considered a waste but a valuable strategic product of high economic significance," according to Eng. Abdullah Ibrahim Al-Abdulkareem, governor of SWCC.

In the same vein, Saudi Water Partnership Company (SWPC) said it invited expressions of interest (EoIs) to build a desalination plant using seawater reverse osmosis (SWRO) technology in Ras Mohaisen, 300 kilometres south of Makkah city. The new IWP will have the capacity to treat 300,000 cubic metres per day and begin commercial operation date in 2022, the company said.

WIND FARM

The kingdom's renewable energy projects are also making rapid progress, with news that the USD 500 million Dumat Al-Jandal wind farm project has received key equipment.

As many as 20 wind turbines built by Danish firm Vestas Wind Systems A/S recently arrived at the Duba port in the northwest of the kingdom.

Last year, the Dumat Al Jandal 400 megawatt (MW) wind project broke a new world record achieving the lowest levelized cost of energy (LCOE) for onshore wind power, at 1.99 cents per kilowatt hour (kWh).

The project, awarded to a consortium led by France's EDF Renewables and UAE-based Masdar Clean Energy in 2019, is the kingdom's first utility-scale wind power project.

"Expected to be in commercial operation by 2022, the USD 500 million project will create 800 jobs in the construction phase with a further 150 jobs in operation and maintenance. The wind farm will generate enough power to supply 70,000 Saudi homes," according to the kingdom's National Renewable Energy Program.

Meanwhile, the National Agricultural Development Company (Nadec) also said its 30 MW solar energy project at its facility in Haradh region was more than 50% complete and should commence operations by the end of the first quarter of next year.

PROMISING SUNBELT

Invest Saudi Arabia notes that the kingdom's natural solar endowment makes it especially conducive to the development of renewable energy.

"Saudi Arabia lies in the middle of the sunbelt, it ranks 6th worldwide in solar energy. Therefore, has a high potential of solar irradiation across most provinces," noted Invest Saudi, which is tasked with promoting investments in the kingdom.

The country also ranks 13th worldwide in wind energy, and "has a high potential of wind energy along the northeast, central regions and mountains in the western region," the Invest Saudi agency said.

While energy generated by the renewable sector in the kingdom is negligible today, the kingdom has set a renewables target of 27.3 gigawatts (GW) by 2024 and 58.7 GW by 2030.

BRIGHT PROSPECTS FOR COMMODITIES DESPITE PRICE DROP

Precious metal prices were largely muted amid welcome news of a promising COVID-19 vaccine being developed by Pfizer Plc. and BioNTech SE.

Investors have piled into the gold and silver metals this year, as they are considered safe havens when monetary policies are loose. Central banks across the world have lowered interest rates to a record low to counter the damaging effects of the coronavirus.

Gold dipped 0.77% in October, and has fallen 3.35% in the past three months of the year. However, the metal remains 28.56% higher for the year.

The metal may be resetting amid pandemic expectations, a repricing of stimulus expectations by gold investors, a realignment of inflation fears, and a shift in mindset around post-US election political change.

While some of these moves may be welcomed, gold's story is not yet over, even if there is a perceived light at the end of the tunnel.

Analysts expect central banks to maintain low interest rates. This usually means a weak US dollar, which has historically been a positive sign for commodities such as gold.

The S&P GSCI (Goldman Sachs Commodity Index), which tracks futures for 24 raw materials, declined 2.7% in October compared to the previous month, taking its year-to-date loss to nearly 22%.

However, the S&P GSCI Industrial Metals index rebounded in October, buoyed by ongoing recovery in China's economic activity, and the restart of manufacturing facilities across the world.

China's exports maintained strong growth in September and October. In USD terms, exports were up 11.4% in October after a resurgent 9.9% in September, while imports unexpectedly surged by 13.2% year on year in September, and followed it up with 4.7% increase in October, the country's custom agency data showed.

Q3 RECOVERY

Overall, commodity prices launched an impressive recovery in the third quarter of 2020, after being battered by the COVID-19 pandemic in the first half of the year.

Meanwhile, non-energy prices rose 9.6% in the third quarter, with metals and minerals rising 19.5% during the period, according to the World Bank.

"Non-energy prices are projected to see a modest increase in 2020 as a small fall in metal prices is offset by an increase in agricultural prices, and see a further rise in 2021," the World Bank said in a forecast in October. "The outlook remains exceptionally uncertain and depends on the duration and severity of the pandemic, including the risk of an intensifying second wave during the Northern Hemisphere winter and the speed at which a vaccine is developed and distributed."

Energy prices were another big winner, rising 33.9% in the quarter, but those gains were from a low base, and crude oil remains well below USD 50 per barrel.

KINGDOM'S GEOLOGICAL SURVEY

Saudi Arabia took another major step in quantifying its minerals and mining potential with three new significant deals.

In October, Bandar Al-Khorayef, minister of industry and mineral resources and chairman of the board of directors of the Saudi Geological Survey (SGS), signed contracts with Sander Geophysics Arabia Ltd. (SGAL), Xcalibur Airborne Geophysics Company, China Geological Survey, and a consortium of the UK's International Geoscience Services Limited (IGS) and the Geological Survey of Finland (GTK).

The contracts are part of the SGS's ambitious Regional Geological Survey Program (RGP), which is also in line with Vision 2030 initiative that aims to diversify the economy and monetise its non-oil resources wealth.

The survey will focus on mapping some 600,000 square kilometres of the mineral-rich Arabian Shield area in western Saudi Arabia over the next six years, and help attract future investors.

The USD 19 million deal with SGAL is a joint venture based in Al-Khobar and will provide airborne geophysical survey of Block 1 of the Arabian Shield.

South Africa's Xcalibur Airborne Geophysics Co. will conduct airborne geophysical survey of Blocks 2 and 3 of the Arabian Shield, for a total value of USD 26 million. In addition, China Geological Survey will provide geochemical survey throughout the entire Arabian Shield area, for a contract deal valued at USD 54 million.

The consortium of the UK's IGS and Finland's GTK, also struck a USD 49.5 million deal with SGS to oversee the technical aspects of the RGP and ensure the quality of operation and produced data.

"The SGS also affirmed that the main goal of launching the RGP initiative is to build on the efforts exerted in geophysical and geochemical survey, and in developing geophysical maps, to produce detailed digital geological maps of the Arabian Shield area, that accurately reflect the types, locations, and quantities of mineral resources in the area," according to the Geological Survey.

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