

IN THIS EDITION ...

The global economy started strong in 2018, but a series of events has left it limping and in need of a boost as the year comes to a close.

Events such as a trade dispute between China and the United States, uncertainty over Brexit, and political deadlock in Europe have remained on the geopolitical front, and will continue to play a role in 2019.

Meanwhile, a strong dollar, falling oil prices and emerging market slowdown have hobbled growth and will continue to impact the global economy in the New Year.

Amid this backdrop, the Saudi economy has remained steadfast, with an expansionary 2019 budget. While oil prices will remain volatile in the foreseeable future, the kingdom's authorities are looking at ways to grow the domestic economy and reduce dependence on export markets.

A strong focus on stimulating domestic economic activity within is evident with the series of new projects being launched, such as the announcement of a number of high-profile tourism projects on the northwest region of the country. Equally crucial, the focus on fiscal discipline, and the nuts and bolts of legislation and business reforms are vital elements that will encourage international investors to consider Saudi Arabia as an investment destination.

The next few years will likely to see more volatility. Oil is in the midst of structural changes and it will take a while for prices to settle in a range, as the commodity faces multiple challenges. Meanwhile, the geopolitical landscape is also expected to change rapidly as new forces across Europe and North America alter the course of the global economy.

But Saudi Arabia can focus on its own milestone: the National Transformation Plan 2020 – part of the overarching Vision 2030 programme – that has a number of policies and targets that have become even more important to pursue in these changing times.



ECONOMIC TRENDS

A strong diversification programme and relatively buoyant oil prices have helped propel the kingdom and meet ratings agencies' expectations.

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TRADE

Exports of hydrocarbon and non-oil products to the kingdom's neighbouring countries have seen an uptick in the third quarter of 2018.

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OUTLOOK 2019

The new year is off to a good start with the government writing a considerable cheque to fund projects, boost spending, and stimulate the economy.

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SME

Dubai-based Astrolabs has facilitated foreign entrepreneurs' access to the kingdom, advancing the government's goal to build a diversified and knowledge-based economy.

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VISION 2030

Saudi's strategy in future-proofing its economy is about to reach a landmark as developments in NEOM make headway, followed by another smart city initiative.

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COMMODITY

Global economic uncertainties have dampened demand, causing prices to tumble in the last two quarters of the year.

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OUTLOOK FOR SAUDI ECONOMY POSITIVE AS REFORMS KICK OFF



Fitch Ratings' positive assessment of the Saudi economy underscores the country's fiscal strength and growth prospects.

In November, [Fitch](#) affirmed Saudi Arabia's rating at 'A+' with a stable outlook, saying that: "We expect a pick-up of growth to 1.8% in 2018 and 1.9% in 2019". The ratings agency added that the oil-rich kingdom's fiscal expansion will accelerate non-oil growth.

Fitch expects strong Brent crude prices of around USD 70 per barrel to shrink the central government deficit to 4.1% of GDP in 2018, and the financing requirement to contract by more than 50%.

"Government drawdowns from the Saudi Arabian Monetary Authority (SAMA) would become unnecessary and 2018 could see a build-up of SAMA foreign reserves to the tune of USD 16 billion. SAMA net foreign assets have already increased by USD 9 billion in the first four months of 2018," Fitch said.

Fitch's assessment came a month after [Moody's Investor Service](#) affirmed the kingdom's A1 rating with a stable outlook, and raised its GDP growth forecasts for the period 2018-2019 to 2.5% and 2.7%, respectively.

The country's credit profile is "underpinned by the government's robust balance sheet and substantial external liquidity buffers," Moody's noted. "On balance, we think Saudi Arabia's fiscal position remains comparatively robust."

The improving economic outlook has led to tightening of the spread between three-month Saudi bank rates (SAIBOR), and three-month LIBOR, the benchmark rate that represents the interest rate at which banks offer to lend funds to one another.

An additional boost to capital inflows came from an USD 11 billion loan recently raised by the Public Investment Fund (PIF), which further contributed to the fiscal cushion.

"Amid persistent deficits, we expect that the government will continue to issue domestic and international debt and draw down on its deposits at SAMA," said Fitch analyst Krisjanis Krustins in a note.

The ratings agency see the central government debt ratio rising to around 27% of GDP in 2019 from a little over 17% in 2017, by which time, debt net of general government deposits at SAMA could turn positive.

"Our fiscal forecasts imply net financing needs of around SAR 230 billion in 2018 and SAR 180 billion in 2019," said Krustins.

LEADING INDICATORS

Saudi's economic indicators are also improving. Credit to the private sector grew +1.4% year on year in September – the sixth consecutive month of improvement – while deposits rose for the first time in seven months, by +2.1% y-o-y, according to latest government data.

In addition, point-of-sales transactions continued to grow at a fast pace of 12.7% year on year in September, while ATM transactions saw a sharp rise of +12.3% compared to the previous year.

Also, foreign reserve assets reached their highest level in six quarters in the third quarter, rising 4.5% y-o-y, on the back of higher oil revenue and debt issuances by the authorities, according to Saudi Arabian Monetary Authority's October [report](#).

At the same time, Saudi unemployment figures remained constant at 12.9%, while labour participation rate reached 42% in the second quarter, according to [General Authority for Statistics](#).

Meanwhile, output and new orders rose at a brisk pace in November, with new export order growth firmer in November than it has been in recent months, according to [Markit](#), which tracks purchasing managers' index for many countries.

The recovery in new orders thus likely reflects stronger domestic demand on the back of strong price discounts.

"Many firms surveyed indicated that competition for new work was strong, and as a result, selling prices were marginally lower on average last month," [Markit](#) said. "Firms also indicated that they were increasingly focused on cost-savings. As a result, expansion in both employment and purchasing activity slowed in November, despite stronger new order growth."

The country is also attracting new companies as the Saudi Vision 2030 programme kicks into high gear.

[Saudi Arabian General Investment Authority](#) (SAGIA) reported that in the third quarter of 2018, the number of licenses granted to foreign and domestic companies stood at 499, an increase of more than 90% compared to the same period in 2017.

Ibrahim bin Saleh Al-Suwail, SAGIA's deputy governor for investor services and consultations, believes the surge in the number of investments in the kingdom reflects the qualitative leap enhancing the diversification of its economy. This is due to the efforts being exerted by SAGIA, in co-operation with relevant authorities, to facilitate business set-up in and attract foreign investments to the Saudi market.

SAR1TRN BUDGET TO POWER SAUDI'S ACCELERATED GROWTH

Saudi authorities are benefiting from additional oil revenue, allowing for a loosening of the fiscal stance – and that will come into full play in 2019 when growth accelerates.

After the country's economy contracted by 0.9% in 2017, the International Monetary Fund (IMF) expects real GDP growth to recover to 1.9% in both 2018 and 2019, reflecting higher oil production and a substantial fiscal stimulus from increased spending.

The new 2019 budget will serve as a catalyst for growth. During an investor conference in Riyadh, [crown prince Mohammad Bin Salman](#) revealed that next year's budget will exceed the SAR 1-trillion mark, noting that salaries accounted for 50% of the budget, a figure that's expected to decrease to 45% next year.

"We believe that the unemployment figures will improve next year until we reach 2030," he said. "The size of the public investment fund, for example, was three years standing at USD 150 billion and this year reached USD 300 billion, he said.

In December, Finance minister Mohammed Al-Jadaan announced that the 2019 budget expenditure is expected to reach SAR 1,106 billion, 7% higher than projected expenses for the current fiscal year, due to higher financing expenses, subsidies, social benefits, other expenses, capital/investment expenses as well, due to the government's efforts to boost economic growth.

Mohammed Al-Jadaan, Minister of Finance said: "the 2019 Budget illustrates the strength and resilience of the Saudi economy, and the continued efforts to improve government performance levels, enhance spending efficiency, adopt the highest standards of transparency and implement comprehensive reforms. Saudi citizens are always the top priority in all government efforts to build a stronger economy and to promote economic and social development in the medium term."

The [budget](#) shows total expenditures of SAR 1.106 trillion, an increase of 7.3% over 2018 expected figures. Revenues are also expected to increase by 9.0% to SAR 975 billion. The 2019 budget deficit is estimated to amount SAR 131 billion (4.2% of GDP), which is lower than the expected 2018 deficit of SAR 136 billion (4.6% of GDP).

The government has set a ceiling for public debt as a percentage of GDP at 30%, as announced in the National Transformation Programme 2020 – a low percentage compared to the G-20 countries' high debt levels.



IMPROVING SENTIMENT

With authorities stepping up efforts to improve the business environment, private investment is slowly picking up.

Higher oil prices, the peg to the US dollar, large public foreign assets, and low public debt also makes Saudi Arabia less prone to emerging market contagion. The fiscal situation is now also on a firmer footing.

The kingdom has implemented substantial fiscal adjustments in recent years, which focused mostly on cuts to capital expenditure. Higher oil prices, combined with additional non-oil government revenue and cuts in fuel subsidies, should more than offset the 20% increase in government spending and narrow the fiscal deficit from 9.1% of GDP in 2017 to 4.4% of GDP in 2018.

Meanwhile, Saudi inflation also looks set to moderate over the quarters ahead. The implementation of fuel subsidy cuts and the introduction of 5% value-added tax (VAT) at the start of 2018 will continue to put upward pressure on prices in the near term, particularly in the transport, as well as food and beverage sectors.

These industries have seen price growth average a robust 10.4% and 6.2% year on year, respectively, in the January to September period. However, weakness in the housing market will serve to mitigate this pressure to a large extent.

"Meanwhile, in 2019 we expect a more pronounced deceleration in price growth as the base effects of subsidy cuts and VAT fall off,"

according to [Fitch Ratings](#). "This view is also underpinned by our expectation for the Saudi government to shift away from fiscal consolidation next year, which means that any further subsidy cuts or tax hikes are unlikely to prove substantial or to have a major impact on inflation.

"Overall, therefore, we forecast Saudi inflation to average 2.6% y-o-y in 2018 and 2.2% in 2019, up from deflation of 0.9% in 2017."

Deeper structural reforms are needed to strengthen the business climate and improve competitiveness to support diversification and job creation, according to the Institute of International Finance (IIF).

"It will be crucial to avoid complacency in the context of the partial recovery in oil prices," the IIF said. "The case for widespread fundamental structural reforms remains strong as bureaucratic barriers, lack of transparency, inefficiencies, and an unpredictable business environment still represent major impediments to achieve sustained and balanced growth."

NEOM AND SPARK HEADLINE VISION 2030 PROGRESS

Work on NEOM, one of Saudi Arabia's flagship Vision 2030 projects, has been moving swiftly this year.

The kingdom's sovereign wealth fund, Public Investment Fund (PIF), is the developer of the futuristic city. PIF will start work on a luxurious tourist destination, seen as the first phase of the massive project. In this regard, construction of the first airport in NEOM is expected to be completed soon, with bi-weekly flights operating to and from NEOM scheduled at the start of 2019.

"Additionally, [NEOM](#) is witnessing progress in a number of key areas. One of the major key developments at NEOM since its inception is the identification of 16 economic sectors to create a sustainable economy that will not only generate job opportunities but will also unlock human innovation and creativity at all levels," according to the Saudi Press Agency.

The 16 sectors are energy, water, mobility, biotech, food, manufacturing, media, entertainment, culture and fashion, technology and digital, tourism, sport, design and construction, services, health and well-being, education, and finally the future of liveability as the foundation of all sectors. Together they are set to generate an estimated annual income of USD 100 billion, boosting the country's non-oil GDP.

STRATEGIC LOCATION

Located in the strategically important northwestern region of Saudi Arabia, NEOM City straddles the Middle East and Africa, and at the crossroads of Asia and Europe. It is spread over an area of 26,500 square kilometres (sq km) – slightly smaller than the land area of Belgium.

Its location on the Gulf of Aqaba will ensure that residents enjoy an uninterrupted coastline stretching over 468 kilometres, with a dramatic mountain backdrop rising to 2,500 metres to the east.

The site will also become the gateway to the King Salman Bridge, connecting Asia and Africa, further elevating the economic zone's significance. The development will extend across the Egyptian and Jordanian borders, boosting their economies and making NEOM the first private zone to span three countries.

In November, the PIF also launched Wadi Al Disah Development Project, located within the Prince Mohammed bin Salman Natural Reserve.

The development will become a major sustainable tourism location, preserving the local environment and wildlife. The region features a moderate climate, distinctive mountainous terrain and flowing springs, which will help the project become one of the kingdom's most environmentally diverse tourist attractions.

The PIF also announced the launch of [Amaala](#), a sea-facing tourism destination, which will sit alongside NEOM and The Red Sea Project as part of the giga-projects investment portfolio, developing a tourism ecosystem across the country's northwest.

In addition, PIF appointed Nicholas Naples as chief executive officer of Amaala, to spearhead the destination's development and operations.

In a bid to boost its non-oil revenues, PIF also invested USD 1 billion in [Lucid Motors](#) to fund the electric vehicle company's commercial launch in 2020. The company plans to use the funding to complete engineering development and testing of the Lucid Air, construct its factory in Arizona, and enter production for the Lucid Air to begin the global rollout of the car starting in North America.

'SPARK' IN THE MAKING

Meanwhile, Saudi Aramco broke ground on the [King Salman Energy Park](#) (SPARK), located in the kingdom's eastern province. SPARK is a 50-sq-km energy city megaproject that will position Saudi Arabia as a

global energy, industrial and technology hub, with the first phase of the project set for completion by 2021.

SPARK has already attracted investments from foreign and local companies to produce and manufacture goods and services, with the first phase expected to yield around USD 1.6 billion. When fully operational, SPARK is estimated to contribute more than USD 6 billion to the kingdom's GDP annually and create up to 100,000 direct and indirect jobs.

TRANSFORMATIVE INFRASTRUCTURE

Apart from the big-ticket projects, there is also a focus on pushing through fiscal reforms, managing deficits and public debts and working toward shielding the Saudi economy from oil price fluctuations.

To address these issues, the government has launched several programmes and initiatives, such as the National Industrial Development and Logistics Programme (NDC), focused on developing the industry and local content in several sectors, such as renewable energy, military industries, exports and mining, according to [Dr. Saad Alshahrani](#), general manager of Macro & Fiscal Policies Unit (MFPU).

A slew of fiscal reforms to gain investors' confidence is also under way. These include privatisation programmes, development programmes of some of the productive sectors announced in the Vision 2030 initiative, and structural reforms in the economy, particularly in the labour market, Alshahrani said.

The Vision 2030 programme is in full swing at the moment, and is likely to accelerate further as authorities look to tick off a number of projects outlined in the National Transformation Plan 2020, which is part of the overarching project.



SAUDI BREAKS DOWN BARRIERS WITH INTRA-REGIONAL TRADE

The strong turnaround in Saudi Arabia's non-oil exports in September was led by a robust surge in petrochemicals, electrical equipment and vehicle exports.

Non-oil exports overall rose 8.8% in September compared to August, while year-on-year gains stood at 40.6%, according to the [General Authority for Statistics](#) (GSTAT).

Among the biggest exports, products of chemical or allied industries expanded 136.8% to SAR 5.8 billion, as against the same period last year. Machinery and mechanical appliances and electrical equipment climbed 94% to SAR 922 million, while vehicles and associated transport equipment grew 38.4% during the period.

China was Saudi Arabia's number one destination for non-oil exports, with SAR 2.8 billion shipped to the Asian giant in September alone, an impressive 102.4% increase over the same period last year, as the kingdom's trade overtures and investment focus paid off.

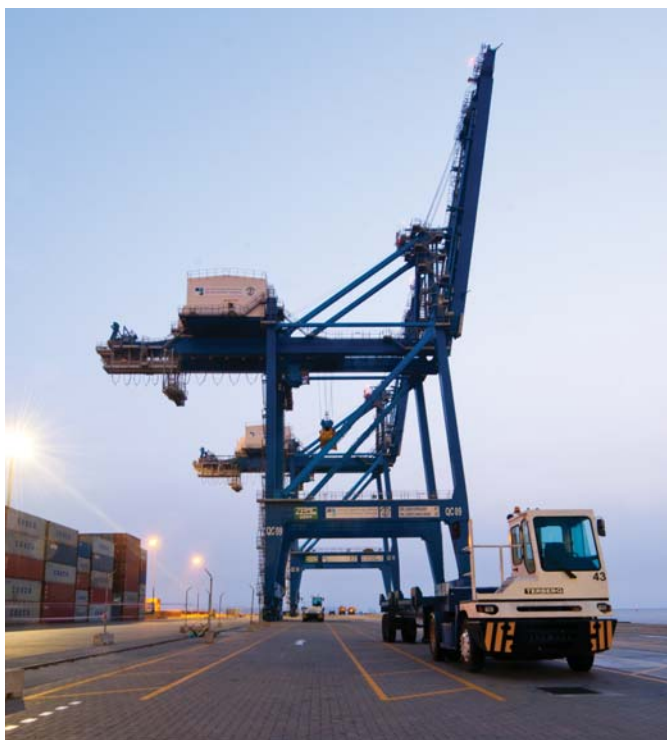
The UAE was the second largest export destination, rising 24.4% to SAR 2.56 billion. Singapore was the third largest market for non-oil Saudi exports, up 19.9% to SAR 1.09 billion. In addition, the kingdom's non-oil exports to India and Egypt posted impressive gains of 95.5% and 73.2%, respectively.

Oil exports were no laggards here. The country exported SAR 79.46 billion in September, a 5.5% increase month on month, and 55.5% increase year on year, as oil prices rose and Saudi crude oil output surged. It was easily the best export figures for the country in more than a year.

Merchandise imports jumped 15.4% during the month. However, year-on-year growth is a more subdued 9.5%, as the kingdom has looked to substitute imports with local produce in some areas. Four of Saudi Arabia's biggest import items were down. Machinery and mechanical appliances and electrical equipment slid 0.3% to reach SAR 8.54 billion, while vehicles and associated transport equipment declined 3% to SAR 5.65 billion.

China was the biggest importing country, followed by the United States, UAE, Germany and Japan.

The trade balance of SAR 58.83 billion in Saudi Arabia's favour is near its highest level in a year, and second only to the SAR 59.9 billion achieved in June of 2018.



GROWING TRADE

Growing non-oil trade is a key target of the Saudi economy and this is re-enforced by other regional countries that are also eager to expand trade with the kingdom, drawn by its economic potential.

Indeed, Saudi Arabia and other regional countries are working towards a common goal of increasing trade and investment ties, as part of their diversification strategy.

[The Organization of Islamic Countries'](#) (OIC) latest report, shows member countries had an impressive export growth spurt in 2017. The increase in exports of Indonesia, Malaysia, Saudi Arabia and the UAE accounted for roughly 53% of the increase in total exports from OIC countries.

Among the leading countries in intra-OIC trade in 2017, UAE ranked first,

followed by Turkey, Saudi Arabia, Indonesia and Malaysia. The top 10 countries accounted for 73.6% of the intra-OIC trade.

"The United Arab Emirates took the lead in intra-OIC exports in 2017 by realising 22.2% of the total intra-OIC exports and was followed by Saudi Arabia (15.2%) and Turkey (14.1%). These three countries as a whole account for almost (51.5%) half of intra-OIC exports," [OIC](#) said in its report.

Saudi Arabia also emerges as a top three trade export or import destination for most OIC members, which suggests that the kingdom is increasing its trade ties with its neighbours, including Bahrain, Jordan, Somalia, Algeria, Bangladesh, Djibouti, Egypt, Indonesia and Iraq.

The [International Monetary Fund](#) (IMF) noted that since 2000, the GCC's trade in goods and services grew at an average real rate of 7.5%, almost twice that of real GDP growth, compared with the global averages of 4.8% and 3.8%, respectively.

Meanwhile, the UAE and Saudi Arabia account for more than 75% of travel receipts in the region, given their leading position as leisure and religious tourism destinations, respectively.

But there is more work to be done to foster greater and deeper trade and investment ties.

"Reducing non-tariff barriers and enhancing integration into regional and global value chains are needed to increase the tradable non-oil sector," the [IMF](#) said in a report focused on boosting regional trade.

"Given that low intra-GCC trade is mostly due to similar economic structures of the member countries, greater regional trade can be boosted by diversifying the economy toward tradables."

Considering that regional trade accounts for roughly 11% of the Arabian Gulf countries' overall trade, compared to, for example, more than 20% for the Association of Southeast Asian Nations (ASEAN), there is lot more scope to boost trade ties with neighbouring countries, before looking further ashore.

NEW INCUBATOR TO HELP SPAWN SAUDI START-UP SUCCESS



[Astrolabs](#) became the first foreign business incubator in Saudi Arabia, to nurture start-ups, entrepreneurs and help develop the kingdom's small and medium business ecosystem.

In November, the [Saudi Arabia General Investment Authority](#) (SAGIA) said it had granted its foreign investment license in the field of business incubators to Dubai-based Astrolabs, which specialises in providing services to entrepreneurs, offering information, training courses, and support resources. The company's founding and strategic partners are Google for Startups, IBM, and Dubai Metals and Commodities Centre.

In addition, SAGIA has signed an agreement with Astrolabs to attract foreign entrepreneurs to invest in Saudi Arabia, allowing them to obtain a business set-up license with 100% ownership as part of the transformation that contributes to achieving the economic diversification objectives as part of Saudi Vision 2030, the [company](#) said.

Astrolabs has been working on a pilot project to help its first 100% foreign-owned company set up structure in Saudi Arabia earlier this year.

"We'll help you issue your SAGIA Entrepreneur License, Commercial

Registration, and Chamber of Commerce Certificate. You will have an entity, can open up a bank account, sponsor shareholders and GM residencies, and start doing business legally in Saudi Arabia," [Astrolabs](#) said in a statement on its website.

The government's renewed focus on privatisation, the development of a national industrial programme, logistics for industry development and local content in various sectors, such as renewable energy, military industries, exports and mining, are all opportunities for SMEs to spread their wings, [according to Tariq Al-Shohaib](#), deputy minister for revenues at the Ministry of Finance.

Al-Shohaib also believes this support is not limited to government-led initiatives and programmes, but extends to digital systems and services, such as the new government procurement and competition system.

"This system, which is subject to review and endorsement, gives priority to local content and small and medium enterprises by providing local content and SMEs a mandatory proportion of the total value of the contract," according to a [Ministry of Finance](#) statement. "As well as the digital financial platform, Etimad, which offers a great opportunity for

small and medium enterprises to participate in competition and procurement, increases transparency and consolidates procedures."

IN-KINGDOM TOTAL VALUE ADD

The focus on including small businesses into the wider transformation and investments taking place in the kingdom was evident in Saudi Aramco's 4th In-Kingdom Total Value Add (IKTVA) Forum & Exhibition at the Dhahran Expo Centre in Dammam.

The event attracted more than 1,000 local and international energy sector service and equipment suppliers, manufacturers and SMEs to explore available investment opportunities with Saudi Aramco in the upstream, chemicals, utilities, non-metallic, IT and cybersecurity, and other areas.

[Aramco](#) signed deals worth USD 27.5 billion with its suppliers, which primarily features domestic players as part of the company's IKTVA plan, focused on supporting local content by contributing to job creation, technology transfer, training and development, and R&D. By 2030, the programme aims to establish 30 training centres to help prepare 360,000 highly skilled graduates for jobs of the future.

"Our 2018 IKTVA Forum marked the half-way point to our local-content goals, and the event has underlined the win-win nature of our programme with many of our international suppliers increasing their market share or moving their manufacturing to the kingdom," said [Saudi Aramco](#) president and CEO Amin H. Nasser.

"Over the two-day event, we signed USD 27.5 billion in a total of 31 commercial collaborations. Companies that have invested here are ideally positioned to benefit further with our signing last month of SAR 125 billion in business at the Future Investment Initiative in Riyadh, much of which will have a direct impact on IKTVA. As of now, 51% of each riyal Saudi Aramco earmarks for materials and services is spent locally."

The country's Vision 2030 programme is being led by major players such as Public Investment Fund and Saudi Aramco, but it is important they make sure that smaller enterprises also ride the wave of growth.

ROUT IN COMMODITIES WIPE OUT 2018 GAINS

Commodity prices rallied in the first six months of 2018, but much of those gains have evaporated in the second half of the year due to a whole host of factors.

Oil prices gained 3% in the third quarter, but fell dramatically since then. Meanwhile, metal and agricultural prices declined 10% and 7%, respectively, also in the third quarter amid robust supplies and trade disputes.

Fundamentally, the US-China trade war has negatively impacted agriculture and industrial metal prices, while US production growth and softening demand trends have weighed on the petroleum complex. This leaves the commodities market outlook for 2019 binary for now, and dependent on the policy path of US-China trade, the emerging economies' prospects, and OPEC quotas.

More recently, steep equity index drawdowns, an inverted US yield curve and more dovish US Federal Reserve have become particularly important barometers for global growth expectations and in turn commodities, such as gold.

Commodities have also been impacted by investment flows leaving exchange traded funds. By the end of November, around USD 19.5 billion of flows had exited energy, USD 9.2 billion from agriculture, USD 5.73 billion from precious metals and USD 3.75 billion from base metals, according to Citibank data.

Assets under management in commodity funds dropped 10% to 15% year to date to reach USD 411 billion in November, a downward trend that began in July, which analysts expect would continue through this winter before stabilising and potentially increasing.

Commodity investor sentiment has also been hit by negative technical factors such as a strong US dollar, weak forward curve term structure, and higher market volatility, especially in the energy sector.

A BETTER 2019?

The World Bank's latest report on commodities expect agriculture prices to rise nearly 2% in 2019 as input costs, such as energy and fertilisers, climb.

The downside risks to the price forecast emanate from escalating trade tensions between major economies, the World Bank noted. On the upside, risks include persistently high energy prices, which would raise fuel costs, fertiliser prices, as well as encouraging biofuels production,



thereby lifting prices of energy-intensive crops, notably grains and oilseeds.

"Metal prices are forecast to gain 5% in 2018 and stabilise in 2019, reaching slightly lower levels than previously expected," the [bank](#) said in its latest report.

"Downside risks include a worsening of trade tensions between the United States and China, and weaker global growth. Upside risks include stronger demand from China due to policy stimulus, and tighter environmental constraints and policy actions that limit production, notably in China."

Gold has fallen 6.64% year to date, belying its stature as a safe haven despite tremendous geopolitical volatility. Gold demand was 964.3 tonnes in the third quarter, just 6.2 tonnes higher year on year, with demand in the Middle East trending lower. Robust central bank buying and a 13% rise in consumer demand offset large ETF outflows, according to the [World Gold Council](#).

The outlook for gold seems uncertain in 2019, as many different factors could pull price in opposite directions.

"Looking ahead, in our base-case scenario, we expect gold's price to flatline out to June 2019, assuming an absence of sudden unexpected events that shock global financial markets," according to investment firm [WisdomTree UK Ltd.](#)

"However, should events turn out differently and some of the geopolitical concerns crystallise into an adverse shock, gold could trade substantially higher. Investors concerned about adverse geopolitical shocks may have found a good entry point."

OIL FLOWS

Oil prices are expected to trend up, after the Organization of the Petroleum Exporting Countries and its allies decided to adjust overall production by 1.2 million barrels per day (bpd), effective January 2019 for an initial period of six months. The contributions from OPEC and the voluntary contributions from non-OPEC participating countries is 0.8 million bpd (2.5%), and 0.4 million bpd (2%), respectively.

"In looking to 2019, it is vital that we all have a clear understanding of the potential impact of developments on supply and demand fundamentals," [Suhail Mohamed Al Mazrouei](#), president of the OPEC Conference, said at the 5th OPEC and non-OPEC Ministerial Meeting in December in Vienna, Austria.

"Our focus needs to be on helping maintain the balance that has been achieved, and sustaining the stability that has been realised. It is vital that our hard-earned achievements are not compromised or lost."

Much will depend on US shale producers, which continue to raise production, thus keeping a lid on prices. The [US Department of Energy's](#) latest forecast suggests US crude oil production will average 10.9 million bpd for the whole of 2018, up from 9.4 million bpd in 2017, and will average 12.1 million bpd in 2019.

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